AXA 2018 Investor Day

Transcript

November 28, 2018

This document is the transcript of the 2018 Investor Day held on November 28, 2018. The replay and the podcast of this presentation are available on https://www.axa.com/en/newsroom/events/investor-day-2018. In the event of any inconsistency between the transcript and the podcast, the podcast will prevail. In addition, the following transcript is unedited, and statements and figures therein are accordingly in all cases subject to those set forth in AXA's most recently published quarterly or annual results.

IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein may be forward-looking statements including, but not limited to, statements that are predictions of or indiCate future events, trends, plans, expectations or objectives. Undue reliance should not be placed on such statements because, by their Nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause AXA's actual results to differ materially from those expressed or implied in such forward-looking statements. Please refer to Part 4 – "Risk Factors and Risk Management" of AXA's Registration Document for the year ended December 31, 2017 (the "Registration Document"), for a description of certain important factors, risks and uncertainties that may affect AXA's business and/or results of operations. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise, except as required by applicable laws and regulations.

In addition, this document refers to certain non-GAAP financial measures, or alterNative performance measures, used by Management in analyzing AXA's operating trends, financial performance and financial position and providing investors with additional information that Management believes to be useful and relevant regarding AXA's results. These non-GAAP financial measures generally have no standardized meaning and therefore may not be comparable to similarly labelled measures used by other companies. As a result, none of these non-GAAP financial measures should be considered in isolation from, or as a substitute for, the Group's consolidated financial statements and related notes prepared in accordance with IFRS. The non-GAAP financial measures used in this press release are defined in the Glossary set forth in Appendix V to the Registration Document (pp. 433-437).

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

2018 INVESTOR DAY

Andrew Wallace-Barnett, Head of Investor Relations, AXA

Good morning everybody and welcome to AXA's 2018 investor day. A warm welcome to those of you here in the room in London and welcome to AXA XL's offices here, and a very warm welcome also to those of you on the telephone or on the webcast. We're very pleased to have you here with us with as well. Thomas Buberl, our Group CEO will introduce the agenda for the day in a few moments.

Later in the morning we will have a Q&A session, and we'll be happy to take questions from those of you on the phone or on the webcast. Please follow the instructions you've been given. As always, we'll give preference to the questions coming from those of you here in the room. For your information, we will be taking at coffee break around 10.30/10.45. It's now my pleasure to welcome Thomas on the stage.

Introduction

Thomas Buberl, Group CEO, AXA

Thank you, Andrew. Good morning to all of you. I'm very pleased to be here with you at the end of a year that has certainly been a very intense year with a lot of changes. I'm here today with my entire management team of AXA but also the teams of XL and the teams of AXA in Asia. This event today is certainly an event to exchange ideas, to answer your questions, but also to show you where we are in the process of achieving Ambition 2020. As I said, this year was very intense, many changes – many transformational changes – but all of these changes have happened with a very clear guidance and with one mission, of a long-term vision of the insurance industry.

We are dedicated to move from a payout to a partner, which means that we want to go beyond the payment of claims with our customers. We believe there is a very big opportunity of growth both in terms of new risks, but also in terms of services around the insurance coverage. In order to get there, a further alignment of interest with our customers is important, and the second thing that is important is more touch points with our customers.

In June 2016 we have launched our Ambition 2020 with two pillars: Focus and Transform. Focus is very much around, 'How can we improve the operational delivery of AXA?' Transform is about shifting the portfolio and moving from Payer to Partner. You have seen a lot this year on the shift of the portfolio.

The next phase will clearly focus on this shift from Payer to Partner. Payer to Partner means how can we help avoiding claims for our customers, how can we make the claims event the exception of the interaction that we have, and how can we really help our customers to live a better life. This does require a significant cultural change as well at AXA, and as you can imagine, this is a journey that is long. It is a journey that is not easy. And certainly when I think back on the year 2018, many things have happened, but it was also a year full of learnings.

Where are we on this journey of focus and transform? In the middle of the period between 2016 and 2020. We can clearly say that we have made very significant progress and I'm very happy with where we are, and thanks to the management committee of AXA, thanks to the 130,000 employees that AXA has, we are today at a stage where we can look back on a good development over those two years.

On the question around Focus, which means how we can enhance the operational delivery, our goal has always been how we can do that in a balanced way. How can we on the one hand enhance the growth, and at the same time, also improve the profits?

If you look where we are, we can clearly see, one, that we have made a significant move to the growing preferred segments: Health, Protection and Commercial lines. These are segments that grow more but also segments that bring us closer to the customers. If you look at the performance on the Health side, +7%, on the Protection side, +10% in APE, on the Commercial lines, +2%.

The second big topic was the question of how can we improve the operational performance, and I'm very happy to tell you this improvement of the operational performance is not just one country or one line of business; it's across all geographies, it's across all lines of business and it is very much a result of the new organisation that we have implemented, which is an organisation of higher decentralisation, a simpler organisation where we count on far more people that we did beforehand.

All of this has happened on a very strong and solid, and robust, balance sheet, with a very high solvency of 195%, and a strong credit rating of AA-. And, what is not on the slide but makes me very proud, we are this year for the 10th time in a row, the number one insurance brand in the world.

On the transform side, which is very much about shifting the portfolio and moving from Payer to Partner, we've certainly worked very hard on the shift element, shifting very much from financial risks towards technical risks.

If you look the from financial risk, what clearly comes to your mind is the IPO of AXA Equitable Holdings, is the secondary sale a couple of weeks ago, but is also the transformation of the Swiss Group Life business and the disposal of AXA Life Europe that we announced at the end of Half-Year this year.

Towards technical risk, the highlight is clearly the announcement of the XL transaction on 5 March, and it's closing on the 12 of September[1], which gets us closer to the customer, more in the area of growing risks – of sophisticated risks. But we should also not forget two days ago, we announced a very important transaction, the

[1] During the presentation, 12 of December was mentioned and corrected in this transcript.

50% additional purchase[2] of the AXA Tianping. So, we own now the largest insurer in China[3], 100% of AXA Tianping, which will set a very new base for a good future.

Bringing us closer to the customer, this was very much around new and digital partnerships. You've seen the partnership with ING, you've seen the partnership with Uber, and many more, but also the launch of new services. Teleconsultation in quite a few countries, the purchase of Maestro Health in the US, which will set a good base for the next phase.

The next phase is very much how we can scale up the innovation we built. How can we make this Payer to Partner a true reality for our customers? All of these moves have significantly changed AXA. You have known AXA for a long time as a predominantly Life & Savings company. With all these changes, we will move elsewhere. We will move to a more balanced portfolio, we will move to a higher growth portfolio, but we will foremost move to a business mix which is composed of technical risks.

50% P&C, and 30% protection and health, which is very different to what you've seen in the past. This also makes the fundamentals of AXA very different ones, and the big questions that you had for quite a few months, 'What does it mean?'; 'How will you change your capital management?' Today is the day to talk about it. We would like to announce three major changes. The first one is an increased dividend payout ratio to 50-60%, a new Solvency II target range, 170-220% and an updated share buyback guidance. All of this will be effective from the Full Year of 2018.

Going forward, we have clear priorities, and I would like to thank you again for the very good dialogue we had in the last six months because it was good to hear where you would see the priorities, and they are very aligned with the priories we have chosen going forward.

The number one priority is clearly deleveraging, due to the fact that we have acquired XL, the leverage has temporarily increased. We want to get back to 25-28%.

Second big priority is around the XL integration by combining XL with AXA into AXA XL, we will be the number one commercial line insurer in the world. It is now about bringing those two companies together and leveraging one another's strengths.

Third priority is clearly to continue the sell-down of AXA equitable holding in the US. We are roughly around 50% now; the journey will continue. Fourthly, and we'll talk about it today as well, is the acceleration in Asia. We've got a very good footprint, but we can make more out of this footprint.

---

[2] During the presentation, sale was mentioned and corrected in this transcript.
[3] Largest foreign P&C insurer in China. AXA Tianping has a national footprint with 25 branches and 93 sub-branches, covering 20 provinces which together generate over 85% of China's GDP.

And fifthly, as I said to you earlier, we now in the next phase focus very much on how can we make Payer to Partner a reality which is about scaling up of the services of the innovation we have built around the insurance coverage. All of this is part of Ambition 2020 and we are fully committed to deliver Ambition 2020, and as you'll see later, in some of the areas, even go beyond the initial targets that we have set ourselves.

Today's agenda is very much centred around three topics. The first topic is Asia. We have happily hired a very experienced leader, Gordon Watson, who will be on stage for the first time today for AXA and will talk about his vision of how is AXA positioned, and where is the potential. The move of Tianping a couple of days ago is a very significant first move.

The second topic will be around a topic that you have been dying to know more about, which is AXA XL. I'm very pleased that Greg Hendrick is for the first time today on stage to talk about AXA XL, and answer later o all the questions you might have, and Gérald will come with the third topic, which is around capital management, since I indicated that the character of AXA and its business mix has changed. We obviously now are in the position of also evolving further our way that we look at capital management, and I'm very pleased that Gérald will be on stage later.

Let's start with Asia, and certainly with a lovely picture that is very much linked to Gordon Watson, because Gordon you know very well, he's a very experienced guy in Asia. He has been working for AIA for a long time, and when he came over to AXA, he said, 'Look, AXA has got an excellent franchise. We need to make more out of it,' and one topic was very much around how can we increase the brand awareness, and the fantastic sponsoring with Liverpool FC is the first sign. Gordon, welcome on stage.

AXA Asia

Gordon Watson, CEO, AXA in Asia

Thank you Thomas. Good morning everyone. Great to be here in London at the AXA XL office. My name is Gordon Watson. I've been with AXA for 11 months now, and I'm really more excited now than I was when I started. When I started with AXA, the reason I joined: great assets in Asia, and of course, as Thomas referenced, an amazing global brand.

But to be frank, AXA in Asia has underperformed over the past few years. So, for me, that was the opportunity to take it to the next level, and I hope today, I can share with you what we've done and what we're doing. So, I'd like to talk about Asia itself and the massive protection gap there is in Asia. In Asia, the mortality, not even including morbidity, the mortality protection gap is Euro 50 trillion, and that's a real protection gap, because in Asia, there really isn't social security. So, our job is to go out see one customer one at a time, and identify their own personal protection gap and fill that with insurance.

Asia is growing. The last couple of years, 50% of the global growth in the world has come from Asia, and that will continue to grow through 2025, 8% growth is what is predicted. And by 2025, the gross written premium in Asia will be Euro 2 trillion, and to put that in context, that's two thirds more than Europe. So, there is room for AXA to really be among the elite insurers in Asia, and that is what we are going to do. A lot of this will be fuelled by the growth of the middle class. 90% of the next 1 billion people who will enter the middle class will be based in Asia. That will create 700 million families that will need more insurance.

What I would like to do in this slide is show you, as Thomas mentioned, the footprint that we already have in Asia, and it's made up of companies of different sizes. First of all, we have two very large growth engines, Japan and Hong Kong, and then we have the high potentials, China, which you saw on the news on Monday night, and Thomas referred to. We will take 100% control of AXA Tianping, subject to regulatory approval, although as soon as the deal was signed, we do take control. And we have the interim CEO, Xavier, or "Wei ze wei" his Chinese name who will take control and already has done. So, that's China.

High potential South East Asia. We have very strong positions in these three countries. We have top five positions in all three of them, and we also have amazing partners. If we look at the partners that we have, they are top three; all three of them are top three banks in the country. Take AXA Mandiri's number one, and also last month in Forbes magazine was vote the 11th most popular company in the world to work for. So, that's our spread in Asian and our footprint.

What I'd like to do today is – the story is very simple and clear, focus on the key priorities. Number one would be doubling down in China, particularly obviously with the purchase of AXA Tianping. So, that's the largest market, it's half of Asia, and it's also the fastest growing, at 11% through 2025.

Agency. Agency I believe is an area that AXA, we have not invested in the way we should have. We need to grow quality agency distribution, and we need to have a MDRT culture. MDRT is million dollar round table, and that is a gold standard for agents around the world, and we will promote that culture.

Health. Health is the fastest growing segment in Asia. It is the top of mind for most consumers, and we can do a lot there as we pivot towards health. We can sell through riders to our existing client base, and of course, wellness propositions is something, you know in our payout to partner mode and what we're doing.

The last thing is brand. Brand in Asia is extremely, extremely important. AXA, 10 years in a row, number one global brand, but it's still not felt the way it should be in Asia. In Asia, some people call us EXA, instead of AXA. I don't know if that's good or bad, but they call us EXA. We need to really be felt as part of the local fabric in Asia. So, we've done a lot. I'm really proud of what we've done locally in combining that globally with Jordan Henderson and team, who probably will win tonight. I'm not sure if that's a popular statement, but I do believe that's the case.

These are the key priorities, and I would like to just go through one by one in a bit more depth.

China, the largest, the fastest growing. I'm very excited. Full control of AXA Tianping, and this is the first time that AXA really has full control, so really becoming a business shaper rather than a strategic investor. So, with this, we'll be able to develop a hub of talent and attract the best people.

But what we have here is something special. We are the largest foreign P&C insurer. We have 3.5 million customers in China. We can reach through the licenses that we already have almost 80% of the Chinese population, and that 80% accounts for 87.3% of the GDP of China. So, basically we can sell to almost everyone in China. And as we know, the middle class is growing, and it's not just in Shanghai and Beijing, it's second tier and third tier cities where we're very well represented.

Now, for me, China, we're doing very well on the volume, we're number one. It's about value creation in addition to volume, and by having control, we know that our Auto, or the Motor insurance market is something that we can really start to segment in a more sophisticated way. We can upgrade our technical expertise, we can do more in claims management, we can do more in operational efficiencies, improve our loss ratios.

Health. We can sell Health and we already do sell Health through AXA Tianping, but this is something we really want to pivot to. So, it's not just China, it's about the move towards Health. And if we look at the Health market in China, China's Health market has grown 39% CAGR over the last 5 years. So, that's where the pack is going to, and that's where we're going to.

We want to create an innovation hub. We already have one in Shanghai. Just an example, last year, 100 million Chinese people did a DNA test on themselves to better improve their health management. So, they have a propensity towards health. So, those are the kinds of things that we're doing in AXA Tianping.

On the Life side, we have a relationship with the largest bank in the world, ICBC, we have 27.5%, and the relationship with ICBC is going well. Xavier and myself, and Etienne, we put a lot of effort into this.

We have new leadership in that organisation. We have Chairman Ma, who is obviously the Chairman, Chairman Ma, and we have the CEO, Wu Xian, who's an excellent woman. And what we did was we sat down with him, and we said, 'Listen, where do we want to take this company? We want to align our strategy, and so we've aligned out strategy towards more value creation by more regular premium, and less single premium. Of course, we're still going to sell single premium, but value creation is more of what we want to do.

Agency within that organisation. We have agents. We need to develop agents in a more qualified way. We've started a distribution hub, which I'll talk about in the next slide, to really share best practices.

The other area is high net worth in China. We're fortunate that Chairman Ma actually used to run the private bank of ICBC, so he has a lot of experience in high net worth. And of course, we have the SPDB. We've a great relationship with them, and we'll continue to strengthen and deepen the relationship with them.

So, in China you can see we're doubling down and we're very exacted about what we can do moving forward.

Agency is the second thing. Agency, we haven't invested in the way that I would like to, and this is what we have to change and this is what we are changing. We need to focus, really attack that middle class with a quality agency force. This will be differentiated with sales tools and technology, of course, but rather than go through all three countries and give you lots of facts, I want to take the Philippines as a case study.

In the Philippines we have an excellent CEO there called Rahul Hora. Rahul Hora, from day one, he gets it, he knows what we have to do. So, in the Philippines, the first half of this year, APE is up 27%, and we are ahead of the market and we're ahead of our peers by quite a distance, so we're getting it right in the Philippines, and we want to take that model and transfer it.

Agency really is about two things. Agency is about the quality of the people that you hire and the quality of the training that you give them. So, by doing that, I spoke about MDRT culture, million dollar round table. In the Philippines, we've increased – year-to-date – the number of MDRT qualified agents by 73%. We've also increased the number of active agents by 30%.

But I always caution Rahul, we can't grow too fast, because we can't sacrifice the quality. The quality in the value creation is of paramount importance. But we do need to make them active. And if we look at this ratio here, 50% of agents that sell at least one policy a month, that is world class. That in an emerging market, to have over 50% of your agents producing is one of the highest in the market. But quality, and one of the proof points for me is the number of financial plans that we have issued this year compared to last year, threefold. We've issued three times the number of financial plans. For me, that shows quality. We're selling the right way, and that really gives into the digital transformation and the quality of the sales tools that we have.

So, we want to take what we're doing in the Philippines, and Rahul is executive sponsor of the distribution hub, and we've hired Stephen Appleyard, who used to be a CEO for some major companies in Thailand and Indonesia to run that distribution hub and exchange best practices. So, an MDRT, first of all, we got all the potential MDRT qualifiers, 12,000, we took them to Macau. We invited some of my MC colleagues, who are here to join that experience and really motivate them. The president of MDRT attended that, and we're on course in those countries to really dramatically increase the number of MDRTs. So, we will take this model, and we will take it to Thailand, which is already large with 15,000 agents, and we will deploy that there. Indonesia is more nascent, so we can start and really develop in that mode, MDRT culture.

We also have new CEOs in Indonesia and Thailand. I have Sally O'Hara, who's here at the moment. Sally, if you could stand up? Sally, although she doesn't look Thai, is fluent in Thai, and has a very strong distribution experience and formally was a CEO of Chubb before moving across, just starting a couple of weeks ago. So, agency and distribution transformation is important for us.

The third is what people are talking about, it's the pivot towards health and wellbeing. What I'd like to talk about here is not just about what we're going to do, but what we're actually doing today. So, if we take Hong Kong. Hong Kong will set up a new signature network, VIP access to the best doctors, to the best hospitals, the signature network for the very first time for those of you that know Hong Kong, includes the Sanatorium hospital, which has never been in an insurance network before. We hired Dr Yi Mien Koh, who I think single-handedly did a great job in making that happen.

We've also done other things like the pledge. The pinpoint in health claims is the length of time to get your money back. We do cashless transactions of course, but we also, for when we do reimbursement, we will pledge to pay claims within 5 days, as long as you submit through our app. So, that will help drive efficiency, more technology, and appealing to the younger family class.

In Japan, 11.4% of the GDP is spent on health. It's a serious issue in Japan. We're doing well in health. And what I'd like to say about Japan, you saw that we're 29% up on APE in Japan, but I'd like to unpack that. We do have a COLI product, which could stop any time because that's tax incentivised, but when you do unpack it, Health has grown by 9%, and our Protection Unit-Linked has grown by 15%.

So, when we talk about Health and when we talk about Japan, I really see we're doing well on the proprietary distribution, but not on the brokers. We don't have a natural market share, so that's an area we're really focusing looking strategically and what we will do there.

We also have a relationship with Nestle. Nestle, we want to promote the brand, wellness, health. Nestle have 90,000 wellness ambassadors in the country, and linking them with AXA, having nutritional education etc. will increase the brand in Japan.

Then I mentioned China. We already have an innovation hub. We will hire starting tomorrow, actually Dr Shaden Marzouk, she's a neurosurgeon, she's from Cardinal Health, she's worked in China, she's an MBA and she will head up health for Asia. So, we're starting to really invest, you know, and walk the talk.

And the last point I'd like to make on Health is the great partners that we already have. If we take Mandiri, Mandiri, we've already penetrated 17% of their addressable client base, but most of that is savings products. If we can start selling riders, selling Health standalone, etc., in addition to increasing that penetration rate, cross sell, up sell, we'll also do that. In Thailand, we have 11% penetration, so that will be a major focus to maximise the partners that we have.

So, this is what we're doing in Health. The next area, and last area I said I was going to focus on was the brand.

Brand in Asia is extremely, extremely important. I'm very proud of what we've achieved in the last year. If we look at where we were last year, we just got the results in a couple of weeks ago of the share of voice and the Net Promoter Score (NPS) that we did. So, this time last year, we were n°5 in Hong Kong in share of voice. Two weeks ago, we've now gone up to n°2 and I think that's due to things like the Pledge, the Signature Network, also Typhoon Mangkhut; we sent out 600,000 SMSs to clients who'd be potentially affected by this, on what to do for the typhoon and, of course, set up a, you know, a task force to address their claims, to be paid quickly, etc., etc. So, I'm very happy that we've now moved up to n°2.

Net Promoter Score, we've moved up 15 points in the last year. Bain do this and if you ask Bain, 15 points is hugely significant in terms of the move.

So, in terms of customer, I think we're moving in the right direction, but a lot to do. We want our brand to be alive, high energy, wellness, health related to that, so you see a couple of pictures here of the NBA. I mentioned Rahul in the Philippines, Rahul signed a three-year exclusive deal with the NBA, so when NBA players visit the Philippines then we have exclusive use. We can talk with them, they can represent, you know, we send lots of tweets out with AXA logos, etc., etc. Stephen Curry, who some of you may know, is very famous, he was there recently and we got a lot of publicity.

But for some reason that I don't understand, the Philippines actually prefer basketball to football (or soccer) and, as Thomas alluded to, my friend here, Jordan and Firmino, Liverpool are one of two teams in Asia that are way above any others. The other is not Glasgow Rangers, unfortunately, but it should be. So, even though I'm not a Liverpool fan, I do love Liverpool and Liverpool have 402 million active followers in Asia. And even the first game, you know, that we sponsored, you know, when we had the signs around the perimeter, you know, it said, 'AXA number one brand 10 years in a row', it said it in Thai – only Sally could read that maybe; it said it in Bahasa, it said in Chinese. So, it really felt, you know, closer to Asia. And 700 million people around the world viewed that Man City game.

And the last point on Liverpool is we sponsor the men and women's teams. In China, China, I don't think, have ever qualified for the World Cup, yet. However, the women's team in China actually were runners up in the World Cup. So, it's not just diversity, it's real. This is very important in China, so we sponsor both teams and we're very happy to do that and Liverpool have been fantastic, so far, in our dealings with them.

But none of this – and this is probably the most important slide – can happen without the people and, for me, I think that's the biggest progress or the largest step forward that we've made, blending new people with the talent of AXA. Guys like Xavier, Rahul Hora, who I've mentioned, but bringing in new people, people with Asian, long-term experience, people with proven track record of delivery. We've brought these people in. I've already mentioned Sally. We have a couple of others here today. If I could ask Howard, if Howard could stand up. Howard is a bit of an icon in Asia for distribution. Howard ran AIA's agency in Hong Kong, he's worked for Ping An, he's worked for Manulife in China. He's done many things and we're very happy that Howard is now with AXA and he's just started doing a great job and there's a lot of buzz about the place. Thank you, Howard.

We also – well, I should introduce Xavier, I don't think you stood up. You know, Xavier, as I say, is one of the most dynamic leaders I've worked with.

And Lyndon, Lyndon was the – he ran MetLife, particularly on the finance and strategy side, throughout Asia. He's worked with AIG before and Lyndon will be working very close with me on the strategy and finance side.

So, these are the three people or the four people we have here today, but these people and their skillsets are matched up to what I spoke about, distribution. Sally has a strong distribution background, obviously Howard, I mentioned Stephen Appleyard. We have Handojo; Handojo will be the new CEO of AXA Mandiri. Handojo was the regional Distribution Head for Allianz. We have Dave Ng, who was the Group Chief Digital Officer for one of the two top companies in Asia. I mentioned, on the health side, Shaden Marzouk, Dr Shaden Marzouk, Dr Yi Mien Koh, bringing those people in and also Rodney. Rodney is an actuary with a lot of marketing experience. He's lived in Indonesia for five years, so he's a real, proven track record in the field. We have Sally Wan, who's just joined for strategy in Hong Kong, helping Etienne a lot and the Hong Kong results I think you saw at the beginning. Last year, we were down 13%, we had some issues. We've done a lot, particularly on the Life side and then we'll supplement that with the Health side as we go forward and, of course, agency distribution. And last, the person I haven't mentioned is Peck-Yeow Gan. Peck will be the HR head for Asia and Peck has worked for both Prudential and AIA.

So, I think this team that we've assembled, you know, there's a great buzz about these kind of what I would call signature hires coming to work for AXA, because traditionally AXA in Asia was not the best at recruiting local talents and talents with, you know, that strong Asian expertise and that has changed. So, I'm very proud of the people that have come over and the way that they blended in with the existing excellent talent we have at AXA.

Now, for me, we have a multi-year journey ahead of us and the focus is clearly to increase the rate of earnings growth but, first of all, we need to bring in quality new business on a sustainable platform. So, phase one, you know, I think as Thomas referred to, it's kind of like changing engines while flying. You know, we need to hire the right people and start doing all those things – pivot towards Health, agency, transformation – as we start to grow the business, the top line. So, APE, you can see the range, 6-8% in terms of APE growth. And then, because the focus is quality, the new business value growth would be higher, you now, 8-12%. So, that would be until 2020 and then we start to get the result where the earnings rate starts to increase. So, as my old mentor used to say, doing the right thing the right way with the right people and you get the right results. So, that's where we're going.

So, to conclude, we, while we need to be patient, we have a sense of urgency. We have a bias for action, to get things done. We have one of the best, if not the best, team we're assembling in Asia, with a proven track record to maximise our partners, to really focus on China, within AXA Tianping, where we have control for the first time and, of course, our great partner ICBC. Develop agency, quality agency, with an MDRT culture that we haven't done as well as we could have in the past and that will be a key focus. Pivot towards Health, which is top of people's minds and the fastest growing segment in Asia. And, of course, brand is so, so important.

So, for us, our vision is to be the next insurer of choice to all our stakeholders, to our customers, to our distributors, to our employees and, of course, to our investors.

So, thank you very much for listening today. My time is up. I would like to show a little video as we move forward with the rest of the day. So, thank you.

Thomas Buberl, Group CEO, AXA

Thank you very much, Gordon: clear strategy, a lot of energy and dedication and certainly a great team of local talent.

We now come to the next topic, a topic you've been waiting for, for a long time, XL, and I would really like to welcome Greg Hendrick, the new kid on the block. You've only been with us for a couple of months, it seems like years already, and the more we've had the chance to work together the more I am 100% convinced; this was a marriage meant to be, a great combination where we can make both sides better and yield a stronger growth. Thank you very much for being here, Greg, with your team. This floor is yours.

AXA XL

Greg Hendrick, CEO, AXA XL

Thank you, Thomas. Good morning, everyone. Welcome to AXA XL's London headquarters. I'm really thrilled to have you all here. We have roughly 10 floors of this building, hundreds of colleagues and, in fact, on floors one and two and six, predominantly, is the insurance and reinsurance underwriting leadership of much of the operation here at AXA XL, so it's really great to have you here.

I want to start, before getting into the main body of the presentation, with sharing with you the vision that we have for AXA XL. And this is taking what we did at XL and blending it with what we have experienced with our AXA colleagues over the last few months of integration and then, after the close, a much more rapid pace of work of bringing these two firms together.

At XL, we used to say we wanted to be the most admired insurer, right? As I met Thomas and the rest of the management committee and other colleagues at AXA, the phrase 'payer to partner' really resonated with me. And when you look into it, particularly on the insurance side of AXA XL, we quite often provide services that help our clients manage their risk better. On a property policy, we provide engineering, either through GAPS, the legacy XL firm, or Matrix, the legacy AXA firm. On our cyber, on our product recall, on our crisis management, on a number of other products we embed within the policy service that is pre-loss, to help prevent risk, and post-loss, to help them address the adversity that comes with those unfortunate events. So, we feel very strongly that being the most admired partner resonates well with the AXA XL team and with our clients and our brokers.

And we want to do it with superior customer service. We've talked about the AXA brand and AXA's dedication to customer service. At XL, we had the same thing. We've won a number of awards, some of which I'll touch on in a little while. We are recognised globally for great service and it fits well with that first AXA value of "Customer first".

So, we want to be the most admired partner. We want to do it with superior client service and we want to have the most innovative solutions for the most complex risks that our clients face. To me, the whole hallmark of why people came to XL and why they will come to AXA XL is what I call the 'halo effect'. When you work with your client and your broker and you address their most difficult risk, there's a halo effect around the rest of the firm. You get more of the business from that client and broker. The client thinks of you more often whether they have a complex risk or a more simple risk and we have been focused on this relentlessly.

Innovation: we've been leading the Advisen Pacesetter Index in North America, which is loosely an innovation index as it measures the number of new products you release. Three years in a row we've been the leading insurance carrier with the most new products. It's a symbol of the dedication that we have to innovation.

And the most complex risks, we've done that over and over again. Whether it's entering the cyber market, whether it's new energy, we do this on a regular basis.

So, that's our vision: the most admired partner known for great client service and the innovative solutions to the most complex risks that our clients face.

What are we focused on as a team?

- First, we are going to finish this integration work and really unify and bring to life AXA XL. That's one of the core goals over the next few months, the work is well in hand and I'll touch on some of the – an update on some of the synergies near the end.
- We want to continue to relentlessly improve our portfolio. How do we perform better? How do we do that in what has been a difficult market, although what I think now will transition into a more favourable market?
- And we want to grow profitably. It's profitable growth, it's not growth for growth's sake. It's to grow our profitable segments of our book.
- We want to continue to manage the volatility, particularly around natural catastrophes.
- And we believe when we pull those things together and execute on all of them, we'll deliver the returns that our shareholders deserve.

So, let me start with creating the global leader, Thomas touched on it, the number one global P&C insurance company in the world. I think it's always good to ground everybody in what that is exactly within AXA Group. It's made of two key components, roughly 50% each.

The first is the existing strong franchise that AXA has with its local entities – AXA France, AXA Germany, AXA Asia, as Gordon has pointed out – mainly focused on small commercial business. And now, added to that, is AXA XL. And just for a refresher, to make sure we're all saying the same thing, AXA XL is the combination of the old XL Group, insurance and reinsurance, focused on property and casualty, with AXA Corporate Solutions, right, AXA's existing large corporate insurer, with AXA Art and Lifestyle which, combined with our Fine Art and Specie offering at XL to form AXA XL Art, we'll be the leading art and high net worth underwriter in the world, and AXA Matrix, AXA's engineering capabilities combined with GAPS, which is our engineering capabilities at XL.

Those four things come together to form AXA XL, largely focused on large corporate, specialty insurance and reinsurance. We have a great brand and Thomas reminded us of that, the tenth year in a row at AXA. We've gotten great recognition as XL and now, as AXA XL, we intend to play that forward. Risk management has been strong at XL, it will be even stronger and better as part of AXA XL, as we leverage the best of both worlds. And a very strong balance sheet, which I am proud to say, just a couple of weeks ago, was reinforced by S&P, giving AXA XL a AA- rating as a core, strategic part of the AXA Group.

Being large isn't the end all and be all. There's a lot of benefit in diversification from bringing these two pieces together.

You can start with geographic. XL brings to the AXA Group the US and London presence that you're sitting in today and that's combined with AXA's strong presence in Europe particularly. So, we have great geographic diversification.

We have size of customer diversification as well. AXA mainly focused on small commercial, XL, as I've said, more focused on the large corporate. So, we can now entertain any client, from small of the smallest commercial to the large of the largest global clients, including global insurance companies in our reinsurance segment.

And we have a full product suite. XL brings, particularly strength, and speciality and professional products that AXA has not, in the round, not written very much. Likewise, AXA has capabilities that XL's never had – employee benefits, motor fleet and others. So, we can now sit down with that large range of customers, anywhere in the world, and talk about any kind of P&C risk they have and do it from strength and credibility.

And in terms of the brand, I'm pleased to say XL and, going forward, it'll be AXA XL, but XL has won the JD Power in Northern America, the highest customer satisfaction for large corporate insurers, for the last two years. The third year is coming out, I'm only led to believe that, so far, the early indications from the survey look good on our prospects for leading that table again for a third year in a row.

Let me go a little deeper now. What is AXA XL? We operate in three core segments:

- Specialty, which I divide roughly in half between speciality industry – so marine, aviation, energy – and specialty niche – more of the fine art I touched on a few moments ago, political risk, crisis management and other speciality products that are much more focused on particular risks. There we have a leading presence. We're a leading underwriter at Lloyd's, we're a leading underwriter in many of those business and that's just under 30% of our overall book.

- The second segment is property and casualty insurance globally – so your traditional large property, large casualty and large professional insurance offerings. Quite often, many of our competitors take our professional business – so our 12% of our book overall is professional – and combine that with the speciality book. So, if you did that, you would call us, in that context, almost a 40% specialty insurance division. We align them together with the P&C because we believe strongly that operating them together gives us the best chance to cross-sell and how we can best achieve the most number of products per customer.
- And then reinsurance, one of our core franchises. I'll touch on it more in a little bit, but it is very global, covering P&C products around the world and able to achieve very fast, nimble and agile results. I think the most important part as you look at these product groupings is that no single product is more than 10%. And property catastrophe, which always get a lot of attention, is about 6% of our overall top line. It's a meaningful, important line to us, but this is a very well diversified, very well-balanced portfolio.

Let me stop here and say a little bit about Lloyd's. I get a lot of questions, both internally and externally, about Lloyd's and what's the plan for Lloyd's, what's the business plan for Lloyd's. Lloyd's, for us, is a marketplace, it is an important one, it is how our brokers and clients choose to access us at times. It is not a standalone business. We have a CEO, we are compliant, but it is very much run as part of each of these three segments. What do I mean by that? If you use marine as an example, our hull and cargo underwriters at Lloyd's report in to the leader of marine globally, Rob McAdams, but he also has oversight over what we do in Europe, what we do in North America, what we do in Asia. Clients and brokers choose to access us in different ways and, in fact, all three segments access us through the Lloyd's platform.

As the largest managing agent, as the second largest syndicate, we're very committed to Lloyd's. It continues to be a very strong platform for us. We're working closely with Lloyd's to try and improve the efficiency of the market overall, to continue to be part of the Performance Directorate that's been much in the headlines lately, but it is not a standalone business. It is a platform that we use to allow brokers and clients to access us.

Of course, that's all great, to have great distribution, diversification, have a broad set of products, but you need talent, right, and I'll talk a little bit about the leadership and a little bit about the talent more broadly.

I'm fortunate today to have in the room with us – I'll ask them to stand up – Neil Robertson. Neil's got over 30 years of experience. I've known Neil since XL acquired the Brockbank Syndicate in the late '90s and Neil leads our specialty insurance business, a long veteran of the Lloyd's and speciality market.

Jason Harris, who leads our global P&C insurance, over 20 years of experience, we recruited Jason to join us in 2012, has been leading our international P&C business and now the global P&C business.

Charles Cooper, again over 20 years of experience. I've worked with Charles for over a decade. He leads our global P&C reinsurance business.

And Steve Robb, who is our CFO of the division. Steve has over 20 years of experience and I've been fortunate to work with Steve as well over the last decade.

It's a very strong and experience leadership team. In fact, the people – and they're probably always reluctant when I add it all up, but the people on that page have over 250 years of experience in the industry, right. Make no mistake, this is a very, very strong team.

And it's not just about – yes, there are a few former XL faces there, we also have AXA members as well. We're looking forward to building on strong risk management from XL into AXA XL by Noel Richardson, who is our Chief Risk Officer. We believe that when we blend the best of both worlds we'll get an even stronger risk management profile.

And Matthieu Caillat, who is leaving a business-facing role to start – is now our Chief Operating Officer, will bring a great business – customer – broker focus to how we get more efficient in our operations.

But it isn't just about – as important as these leaders are, we believe strongly in the servant leadership model and that we are here not to lead from a top down, command and control, but that we are here to empower our underwriters, our claims professionals, our actuaries and there's over 9,800 colleagues and over 1,700 underwriters in the AXA XL division. So, I know, occasionally, from time to time, you'll see a headline 'so and so has decided to move on'. I want you to rest assured that it is a very, very broad base of underwriting talent that we have and it's very, very deep and rich at AXA XL. And in fact, just as a data point to share before we move on, our attrition rate – so the percentage of people leaving, for the year to date 2018, is lower than what it was year to date 2017. Our colleagues are very much invested and eager and excited about the success that we'll be able to achieve as AXA XL.

So, what are we going to do with all that talent and that great leadership with all those grey hairs? We're going to do what we've always been doing, which is optimising our portfolio and continually improving our performance. We do it with underwriting actions; we do it with pricing; we do it with analytics; and we do it with portfolio mix. We call this 'the grind'. The grind may not be sometimes, in English, the most exciting word, but we are very passionate about it. The grind means you have dedication, you have plans, you execute them, and you're determined to grind your way to an ever better and improving, performing portfolio.

What do we do specifically?

Underwriting actions. Every year, through our planning process, hundreds of actions identified, tracked and only giving credit for, in our loss ratios, once they've been executed. Could be tiering around industry, around geography, could be around distribution in geography, could be around distribution source from broker, could be client side – all the normal things you would expect an insurance management team to do. Over the last three years, we've identified and executed on $125 million of underwriting profit improvement that I believe passionately has helped us fight what has been a soft market in many of our lines of business.

Pricing. Eighteen has been a good year for pricing. On the insurance side, we've gone from 3.5% in the first quarter to 4% in the second quarter, to 4.5% rate increase across our entire portfolio in the third quarter, balancing out to roughly 4% for the year, which happens, coincidentally, to match the 4% that we're also getting in reinsurance. That rate of increase, when measured against industry benchmarks like Willis Towers Watson's CLIPS or CIAB, is two points better than what the industry is getting on the same size, large commercial risk, we think validating the competitive advantage that we have as AXA XL. And I'll come on to it in a little bit and we think this is only going to improve, particularly in short tail lines, as we come out of '18 and into '19.

Analytics. You've read a lot about predictive modelling, a lot of different players in the market attempting to make it work. We believe we've struck upon the right model, which is about a $10 million a year investment in our strategic analytics team, combined with our day to day actuaries in our pricing analytics, combined with our underwriting teams. That model of belief and buy-in from those combined groups makes it very effective. We've gotten to over $2 billion of our premium has some kind of predictive pricing or predictive risk selection model applied to it.

And then the last and usually the most important is optimizing our mix. We need to grow profitably. There is always opportunity in the insurance and reinsurance market to find pockets of opportunity to grow. We also then, if we aren't making our return, we need to find sources of capital that will take that return that may be lower than our threshold, particularly, lately Alternative Capital, around our catastrophe exposure, but it could be other reinsurers as well. And if we can't make either of those two work, if we can't find enough to grow profitably, if we can't find enough partners to move the risk to, then we need to shrink the book. And, over the last three years, in our insurance segment we've reduced over $300 million of gross written premium that has not been meeting our return hurdle and that we couldn't find a partner with to try and move that risk on to.

I want to spend a little more time on growing profitably, because I think it helps to share some of the successes we've had embedded within our business that sometimes get lost in the overall noise of the industry results. Three four the insurance side and then a comment on the reinsurance segment.

In insurance, construction in North America, when we started, in 2011, we had about $40 million of premium, not really a factor at all. We hired Gary Caplin and he built a team over the last few years that has taken that $40 million book and it's now a $650 million annual gross written premium portfolio, producing a combined ratio of 85% or better. It has been a very, very outstanding story. They've been focused on the large of the largest construction contractors in North America. Generally speaking, the underlying theme of why that works well is they are very, very risk management conscious. They're very conscious of their brand, of their reputation and they spend more money than any of the mid-size or smaller contractors on reducing the risk that they bring to their employees and to their workplace.

Second example is international casualty. We acquired the Winterthur International large corporate casualty book back in 2000 and, in that, the focus had been mainly on the very large global corporates. Danny Maurer and a few other people have, over the years, built a very profitable book of middle market business. So, clients that are now just starting to go multinational, that maybe don't need the full global programme capabilities that AXA XL can offer but want to have some more risk management and more ability to go global over time, we've grown that book about 11% per year and at less than a 90% combined ratio.

And the third and final example in the insurance segment is around the use of – I touched upon it earlier – the importance of predictive modelling. In our design professional book, which is our architects and engineers book, a book we've had a long time, bought the Design Professional insurance company back in the late '90s. It's been one that, for a while, from 2008 to 2013, was shrinking about 4% a year and was struggling on profitability. Alex Blanco and his team, as the leader on the underwriting side, partnered with Kim Holmes and her team in strategic analytics and partnered with our pricing actuaries and our claims professionals to build a predictive model, not just to have it be built and stored in a room somewhere that corporate runs once in a while, but to be built and used actively to manage the portfolio. And we've turned – Alex and his team have turned a minus 4% or a 4% shrinkage rate, if you like, a minus 4% growth rate into a 6% growth rate with a four-point improvement in the loss ratio. And it's gone from being one of the books that we were struggling with to one of the leading portfolios that we underwrite in terms of profitability and return.

And then if I shift to reinsurance, we believe reinsurance, for us, is in the sweet spot. What do I mean by the 'sweet spot'? We believe that we don't need to be the largest player. That, in fact, if you are the largest player in reinsurance, because of the limited number of transactions relative to an insurance portfolio, you – very, very difficult to outperform the market index. But you need to be large enough to be credible, to be able to be viewed as a market leader. Can you entertain any risk around the world? Can you entertain any line of property and casualty? And we can, and so we believe we positioned ourselves in a growth story when we brought XL and Catlin together in 2015. The reinsurance portfolio was under $4 billion, it's now $4.7 billion in 2017. And we have demonstrated, on the right here, with the performance from the last five years of combined ratio, as reported – so Cats are in there, PYDs, this is just pure reported results – we've delivered results that are better, at an 87% combined ratio, than most of the large competitors and only underperformed a handful of the smaller niche players. We like that sweet spot. We like where we are in reinsurance.

Now that the acquisition is done, we have a lot of momentum and we want to focus on growing in three core areas: things that we had already started at XL that will continue at AXA XL, things that will leverage the scale that AXA XL gets together, and then cross-sell across the AXA Group.

In growth, in insurance in the United States, we're about 3% of the large corporate and speciality marketplace, whereas globally we're about a 4% market share. We have been growing North American faster than anywhere else in the operation and we will continue that and accelerate that as part of the AXA Group.

And in reinsurance, we want to continue to find those areas, either geographies or products, where we can diversify ourselves better. The team's built little books around things like exposure to US homeowners, not necessarily cat-driven all the time, which gives us great diversification, because at AXA Group we don't have that exposure anywhere else in the institution. And one of the ones that I think will yield great returns as part of AXA Group going forward is working deeply on closing the gap between insured loss and economic loss. You know, we just had Hurricane Michael in the US, as you all know. Again, we'll see, in one of the most insured marketplaces in the world, only 50% of the loss, in round numbers, will probably end up being insured of the total economic impact. And as you go away and move into areas like in Gordon's role in Asia, that can drop to single digits and sometimes even less than 1%. We are very passionate about closing that gap and we think when we leverage the capabilities that AXA has around AXA Parametrics or AXA Microinsurance, combined with our reinsurance team, we can really do some great work here.

We want to focus and enhance the scale that we have. Both AXA and XL have had leading capabilities and global programmes, but we also have a large book of follow business where we're not the lead market. Together now, we have much greater scale, much more emphasis to be able to bring to the marketplace and convert from follow to lead lines, allowing you to dictate the engineering, allowing you to control the premium flows and be paid better, as a leader, than you are as a follower.

We want to develop under-penetrated areas. We're very much looking forward to working with Gordon's team in Asia, particularly around building off of our strength of a hub in Singapore and Hong Kong and using Gordon and the team's footprint in areas like Indonesia and Thailand, where we've not been present as XL. So, we believe there's a lot of lift. Likewise, in Mexico, with INM and Benoit's team, we see now the opportunity to move from a single office in Mexico City to having access to hundreds of branches around the country.

And we want to build new products that leverage the best of what AXA XL and AXA Group have to offer. You know, we can do that, particularly if you look at, in the US, in the small commercial, where XL brings a great footprint in risk analysis, great leadership in that space and combine it with AXA's strong digital distribution capabilities in the small commercial space, we believe will yield great fruit over time. And we've just recently announced a product in the US around cyber, where, at AXA XL, we're going to blend a full digital offering with our cyber expertise and with access to some of the preventative services that I mentioned at the top. And we've just launched that in the last month and it's the first step of what will be a great journey, I believe, together.

And then, to me, the third one and the heart of it and the real opportunity in front of us most immediately is to cross-sell. AXA XL's specialty and professional products on the insurance side now can have access to AXA's tied agents and AXA's brokers – small brokers, via each of the local entities, and that gives us a whole new distribution source that we haven't had access to before. Historically, we've been very dependent on kind of the top 5-10 brokers in each country. We now have a whole new source of risk to be able to cross-sell into. Likewise, at AXA XL, we didn't have employee benefits, we didn't have motor fleet, we didn't have a number of other products. We can now help our colleagues around the AXA Group cross-sell those products into our clients. We believe this will be one of the biggest and most immediate lifts in terms of the revenue synergies that we see going forward.

Let's shift a little bit to managing volatility. Volatility comes in two forms, to me: nat cat (or natural catastrophe), which I'll come to in a second, and then your attritional large loss ratio. So, what we're sharing here is the legacy XL Catlin only, from 2010-2017, accident year ex-cat results; so, it removes the impact of catastrophes and removes the impact of prior year losses. And it is the legacy XL Catlin, so from 10-15 it's XL standalone and then, from 15-17, it reflects XL Catlin after we closed the transaction in May.

When Neil and myself and a number of other colleagues and Jason, as he came along, kind of in '12, when we inherited that leadership of the insurance business we were definitely at a performance level that was not acceptable, in the upper 60% loss ratio. We got to work on that grind, that I talked about earlier, and we were able to improve the results. It doesn't happen overnight, it takes a couple of years, but we were able to improve the results and then we were able to buy Catlin, bring that portfolio together and maintain that steady loss ratio across – this is across our group, this is insurance and reinsurance. And so, we've shown that we can grow profitably in pieces and this, to me, demonstrates we can grow profitability as well in the non-cat space.

But let's talk about cat, because that is the other part of the volatility and the one that's gotten the most attention recently.

This is a chart of the total worldwide insured catastrophe losses from 1992 — I started with 1992, which was Hurricane Andrew, as many of you will remember, in the US. There had been a very quiet period before that and it really transformed the marketplace overall. All the way to 2017, this is sourced from Munich Re; you could go to Swiss Re, you could go to AON, there's a number of other industry sources that will have slightly different numbers as you go along, but the picture is the same.

And then, for '18, we're estimating at least $70 billion, as we see it, for 2018, of nat cat losses. That makes '17 and '18, together, the single-largest two-year period in that history base. It'll be over $200 billion of insured catastrophe loss and, if you think about it, it's really only in the last 14 months, because the meat of the activity started kind of in August of '17. It has been a very active period, right? And so, we would point out, though, that as you look back over time, there are periods it doesn't always happen like '17 and '18. There are periods that you see, '13, '14, 15, '06, '07, '08, where you have very low activity for a period of time. We believe that this has not changed, that that variability of result will continue.

And I'm sure you're very interested about '18, in particular. We would note that Michael, which we've talked about already, the wildfires, I've shared with you the industry loss here from RMS: it's 9-13 billion from them. It's just too early for us to be able to give you any kind of precise estimate yet for what the loss may be to impact AXA XL. I will share with you, though, that at XL, in 2017, we had roughly a 2% market share of the California wildfires last year.

Regardless of what the losses end up being in total, there has been enough activity when combined with the manmade loss activity, as well, experience in the industry that we clearly see an increasing of price increases in our short tail lines of business. Property insurance, marine, aerospace and a number of other lines are seeing an acceleration and I believe there will be a little bit more to come as we kind of sort of who wants to play forward. There's Alternative Capital, which I believe in passionately for the long haul. In the near term, do they want to reset the price a little bit and do they want to try and make a little more return after two difficult years that they've experienced as well. But I do believe, regardless of the outcome of that conversation, that we will continue to get rate going forward.

And we've been not just planning to go back to the better years, that's not our strategy, hope is not a strategy, we've been reducing our exposures over time. We started this, as XL, at the end of '17, when we realised the reaction in '18 wasn't going to be as strong to rate – to generate rate and more profit and we started reducing our exposures, and then we accelerated that activity as part of AXA Group. So, for the XL portfolio, our 200-year tail loss is down about 25-40%, our 20-year loss down about 15-20%, and we'll continue to do that in 2019. I don't have a precise prediction for you because, to me and to the team, to my colleagues at AXA Group, we're very much driven by the fact what will the profit opportunity be, which will dictate exactly precisely how much risk we decide to take in '19.

Whatever we decide though, we continue to remain very committed to using Alternative Capital. We have a billion and a half of cat bonds. We have nearing $1 billion of collateralised reinsurance and, as you would have seen, just a few weeks ago we bought in the remainder of New Ocean, our ILS manager, which will now be aligned with us and be focused solely on how do we distribute AXA XL risk today and, over time, AXA Group risk as well to the ILS community, directly from us to the investors.

Synergies. I'm very happy to report that we're going to increase our synergies from $400-500 million. We've been hard at work since we announced this transaction, even in more rapid pace since we closed. We've been able to identify more cost savings, up from the 200 million to 300 million. We've been working closely with the AXA Global Re team. We believe we now have line of sight to that $100 million of savings in ceded reinsurance. And then, as I've talked about already, on the growth side, we're very excited to confirm that we can deliver on the $100 million of revenue synergies as well and are already starting to practise in small areas, for instance, cyber in Italy, with some of the AXA tied agents there, to show that we can execute across this cross-sell strategy.

So, when I pull it together, improvement on the synergies; keeping that grind going to improve the profitability of our portfolio; a better rate environment; continued use of try and match risk to the right source of capital. And one I haven't touched on, which is a shift in our investment portfolio where, at XL, we had been very conservative, well below the risk level of our peers, and just moving that a bit to be more in line with the overall AXA Group investment philosophy. We can achieve a 95% combined ratio by 2020, assuming about a 4% natural catastrophe load, and produce about 1.4 billion of underlying earnings in 2020, again with normalised cat.

We're well on the way to integration being completed. I'm thrilled that we've been able to identify more synergies and more savings. We continue to grind that portfolio and make it a more profitable one through the levers I identified. We're going to continue to grow profitably in areas that we have been already and identify new ones together. We will continue to manage our cat volatility. In the end, when we execute on all those, we believe we will deliver a return that AXA shareholders should expect.

I want to thank you all very much for listening today. I have the pleasure of saying there's now a half-hour coffee break behind you. Please enjoy the coffee. We'll be back in here in half an hour. Thank you.

Thomas Buberl, Group CEO, AXA

So, welcome back after the break. I hope you had enough time for exchange and I heard many questions already for the Q&A session. Thank you, Greg, for this wonderful and passionate speech about XL: clear strategy, good team and a very disciplined approach to get to a very attractive number.

We are now coming to an old-timer of AXA, Gérald Harlin, who has the now ability and power to put everything together. What will it be, the new capital management approach. Gérald, the floor is yours.

Capital management

Gérald Harlin, Deputy CEO and Group CFO, AXA

Thank you. Thank you, Thomas. So, I'm very happy to be with you and to update you on our capital management policy.

And going back to a – to the profile of our Group on a pro forma basis, that's a strong transformation, so assuming that – that we would exit totally AXA Equitable Holdings, include AXA XL, we are majority P&C, health and protection company. P&C will represent 50% of our earnings and this – the savings part is 14% only, which is relatively small.

So, today, I want to – I want to highlight and to focus on six topics:

- The first one is the earnings volatility and the fact that it is controlled. There is earnings volatility, but it is under control.
- The second is the cash generation and the flexibility that it will bring to us.

- Next is the path to deleveraging. We updated you on our deleveraging plan already in August, but we have a clear update to share with you.
- Next is the robust balance sheet with strong Solvency II ratio.
- Next is, globally, the new capital management policy and the new guidelines.
- And last, the update on Ambition 2020.

Let's start with the volatility. So, you remember that in August we highlighted the reduced cat cost deviation coming from and following our new reinsurance programme and it's interesting to analyse that at that time, we analysed the negative side, but it's interesting to analyse both sides, ie. the positive and the negative deviations. And starting first with the left-hand side, which corresponds to the more severe years, in one in 20 years we would have €0.5 billion of negative deviation from the average. €0.5 billion, corresponding to one in 20 years, that's exactly the same figure as the one we shared with you at the beginning of August. This highlights – all this framework highlights the fact that we have strong benefits from our geographical diversification. To make it simple, it means that the probability to have a severe cat in Europe and in the US is quite low, so that's the beauty of this extremely diversified model.

Next is the earnings volatility. As I said, there is earnings volatility coming from cat events. You can see here that, in one in 10 years, it's plus 8% on the less severe years and, on the more severe years, it's equivalent of minus 7% of underlying earnings per share; plus eight, minus seven.

Last is the profitably asymmetry. That means that we have 54% probability to be above the mean and, by definition, 46% probability to be below.

Let's have a look now at the recent transactions.

First of all, the P-GAAP. We will consolidate at the end of the year AXA XL and I wanted just to update you on the P-GAAP that many times we discussed. The first point is that there is no change to best estimate claims reserves. We told you in March that we were satisfied with the level of reserves; it's exactly the same and we didn't change our mind and we will have best estimate claims reserves of €20 billion.

The P-GAAP accounting adjustment, I would say that, in line with the practice, in line with the IFRS practice, we will book what we call a 'risk margin' net of DAC and value of business acquired and it will amount to €1 billion. As a matter of principle, it's exactly the same as in Solvency II. We call it in Solvency II 'market value margin', but it's exactly the same concept. And you cannot expect any release in the short term of this €1 billion.

And next, goodwill, that will amount to €7 billion.

That's for the P-GAAP. Now moving to AXA Tianping, as explained and presented by Gordon, we published it on Monday evening this week and it's important because we are very proud to say that AXA will be the only foreign insurer to have 100% control of a top 20 P&C insurance company in China. So, we will be, as well, the first foreign P&C insurer in China.

So, the cash consideration is €580 million and, subject to regulatory approval, we will -we should finance part of it through capital reduction from AXA Tianping of €190 million.

Let's update you on the recent AXA Equitable Holdings sell down. As explained by Thomas, it was two weeks ago, on 20 November, we sold a participation of 11% in AXA Equitable Holdings. It was sold for €1 billion, which was corresponding to 60 million shares at $20.25. Normally, we should benefit from €0.2 billion corresponding to the exercise of the greenshoe and we benefited from €0.5 billion, i.e. 30 million shares, from AXA Equitable Holdings 30 million shares buyback. In the end, from an economic perspective, we will own 50% of AXA Equitable Holdings after all thees transactions: in May, first the IPO and, in November, this additional disposal. We have 50% left.

For the future, we confirm, as we said already and we announced it, as you know, in March, that we will – it's our intention to fully dispose AXA Equitable Holdings over time, so to sell the 50% that we still own in AXA Equitable Holdings. But for sure, the pace will depend on many factors, among which the share price, the environment and the market liquidity. Today and taking today's stock price, the remaining 50% corresponds to €5 billion.

Let's move to 2019-2020 cash flows.

This is before – and it is important – before AXA Equitable Holdings further sell downs, we will accumulate €12 billion of cash in 2019 and 2020, mainly to fund dividend and deleveraging.

So, starting first with cash remittance, roughly speaking, we could say around €5 billion per year, so on two years –'19 and '20 – it's €10 billion. Then, plus three billion cash coming from the Swiss Group Life transformation that we presented, it was in August, plus the disposal of AXA Life Europe, as a whole, three billion – two billion from the Swiss transformation, one billion from AXA Life Europe. Holding cost, minus two billion. Then we have the sell down that we achieved that we did two weeks ago, it's plus two billion. As a whole, it's 12. So, again, this 12 billion, it's cash available, cumulative cash available to fund dividend and deleveraging, but it's before AXA Equitable Holdings further sell down.

So, let's move now to our gearing ratio.

And starting first with 2018, and as you can see in the light blue, at the end of June 2018 we had debt gearing of 29% and we expect, for full-year '18, at the end of '18 to be at 32%. Let me go through the different blocks and elements, because it's not quite obvious.

As far as the debt is concerned, the numerator, it means that we will benefit from the – we will increase the debt level by four billion, corresponding to the debt consolidated from XL, because we consolidate XL for the first time in 2018, and – but we will have minus two billion corresponding to the debt that we will have repaid in the second half of ’18 – and I could say already notified to bondholders – as a whole, minus two billion. And maybe you noticed that we announced yesterday 0.8 billion more coming from XL.

Then, on the shareholders’ equity, there will be minus one billion that will be the impact of the AXA Equitable sell down that we did in November, minus one billion. Then we have minus three billion, which is the goodwill impairment Group share, and we decided that it was better to impair the totality of the goodwill corresponding to AXA Equitable Holdings and, as a consequence, it will flow through the net income for 2018. And, as a consequence, the value of the shares of AXA Equitable Holdings, its book value per share, will be between 21 and 22 dollars. Next, minus one billion, which will be the net impact on minorities, plus two coming from the increase of the minorities following the disposal that we did. And, again, we will impair the goodwill of the minorities for three billion. It’s the same amount, it’s quite logical, because we are at 50%.

So, as a whole, again, we move from 29 to 32%. I should mention, as well two points. First, it confirms that there was no need to issue one more billion of sub debt. We limited ourselves, you remember, to two billion. And second, we should take into consideration the fact that I’m expecting at the end of ’18 to have €1.5 billion of cash corresponding, roughly speaking, to 1.5 percentage points of gearing ratio. So, assuming that we would have used this available cash mostly coming from the disposal in November, just in order to reduce our debt, we would have been close to 30%.

Let’s focus now on our deleveraging plan.

So, here, what you can see is the illustration which is based on a full AXA Equitable Holdings disposal by 2020. So, the debt gearing should come – starting from 32% at the end of 2018, that’s the figure that I just commented, we would move to 28% in 2019, 25% in 2020.

We could – you have, on the right, the moving part, starting again with the debt, meaning that the debt – the numerator will drop by seven billion, three billion corresponding to the net debt that will be repaid and minus four billion coming from the removal of AXA Equitable Holdings. So long as we would sell, in this scenario, 100% of AXA Equitable Holdings, we would deconsolidate AXA Equitable Holdings, meaning that the debt would disappear.

On the shareholders’ equity, the denominator, we would lose five billion of minorities, that’s exactly for the same reason, it’s coming from the fact that we will deconsolidate, in such a case, AXA Equitable Holdings and we would have six billion of retained earnings, roughly three billion per year of retained earnings during 2019 and 2020.

As a whole, we will have €14 billion of generated cash. Let me go through a bit more detail. The 14 billion corresponds to what? It corresponds to the 12 billion that I just commented on the previous slide plus five billion of sell down, because we assume here that we would do a full sell down, minus three billion of debt. As a whole, 14 billion. And it means that we will have €14 billion of generated cash that will remain after deleveraging, assuming, in such a case, we would be at 25%, to finance what? It would be available for dividends, for cash buffer, M&A and share buyback. Cash buffer, why? You remember, I'm sure, that in March, when we presented our financing plan for AXA XL, we said, at that time, that we would use €3.5 billion of cash buffer. So, we can assume that this cash buffer will be reconstituted, but it will, as you can imagine and as you can make your own maths, it will mean some cash available for M&A and, eventually, share buyback.

Let's move now to Solvency II and update you on the expected impact.

Even with deleveraging, our solvency will improve between 10-30 points. Why do I say 'even with deleveraging'? Because you have all in mind that we have a lot of sub debt, which means that deleveraging will naturally reduce the restricted part of Solvency II. So, we will increase from plus 10 points, which will be the low end, to 30 points, which will be the high end. And let's look through, on the left, on the various elements that means that will be between 10 and 30.

- Starting, first, with something you are familiar with, which is the operating return net of dividend, from five to 10 points per year, so, for two years, between 10 and 20.
- Then we have the diversification benefit. You remember the point that we already shared with you; we expect, by 2020, to get XL integrated in our internal models and the diversification benefit should amount to 5 to 10 points accretion in our Solvency II ratio.
- Then we have the further sell down between 0 and 15 points, between selling 0 to 50% of AXA Equitable Holdings.
- Then minus five to minus 10 from deleveraging. That's what I just explained, tier two debt mostly, tier one and tier two.
- And M&A between 0 and -5. Just for you, five points corresponding roughly to 1.5 billion.

So, it means that the quality of our capital should improve on the next two years, as you can see in the following slide, and we can expect unrestricted tier one to be above 75%, which means that will be among the best one, and for two reasons. The first reason is the debt repayments and the second is the organic sub debt repayment, by definition, and the second is the organic capital generation.

Sensitivity to our Solvency II ratio now. This is an important slide, because it explains why we moved and why we decided to transform our Group.

Let's start on the left-hand side, meaning that becoming more a P&C company, as I explained or as I presented it to you at the beginning of my presentation, we will have plus 13 points that's the pro forma required capital, so that's the denominator of the Solvency II ratio, plus 13 points on the P&C ratio from the P&C risk, minus four on the life side and minus 10 on the market and credit risk. So, again, it highlights the fact that we are much more diversified, because the P&C risk is diversifying a lot compared with the other type of risk.

And let's move now to the right part on this slide. We will have 20-30% reduction in economic sensitivities from financial shocks. It means that we will reduce our tail risk and this is important from a valuation point of view.

Let's start with the 1 in 20 years financial shock, from minus 39 percentage points sensitivity to minus 31. On financial crisis that's '08/09, I'm sure you remember, from minus 61 to minus 46. Then the financial crisis – 2011 financial crisis, from minus 20 to minus 14. And dotcom bust at the beginning of the century, minus 34 to minus 24. And in the meantime, and this is really what is extremely interesting, in the meantime, in 1 in 20 years, the natural events are the same. That means a downside from one in 20 years natural events stays at minus 2 percentage points, whereas in 1 in 200 years natural events it move from minus five points to minus eight. So, only a worsening of three percentage points, whereas we gain 20-30% from the financial shocks. So, that's quite important and, again, it's maybe the most important slide that can explain our strategy.

Going forward, it means that our cash capacity will increase and this cash capacity allows us to increase our payout ratio from 45-55% to 50-60%. So, you have all in mind the fact that our historical cash remittance is at 5 billion and we can say that, on the medium term, we can expect to have XL integration increasing our cash remittance potential, as it has a cash remittance potential of ca. €1 billion per year. And you remember that AXA Equitable Holdings over the last four years was limited to €0.5 billion. Maybe you remember the $600 million that many times we mentioned.

As a whole, it means that the normalised new cash remittance will be €5.5 billion. It means more cash capacity, which allows us to increase the new payout range from 45-55 to 50-60%. And as a consequence, and you can see just in the middle that the €1-2 billion cash available at holding will be left €1-2 billion. Depending on the scenario, it will be €2 billion in a 50% payout, one billion in a 60% payout. And this compares with the €1 billion of cash capacity that we previously announced, I'm sure that you remember this, for our 2016-2020 plan and, at that time, we assumed a 50% payout ratio. So, as a conclusion, it means more cash capacity even when increasing our payout ratio.

Let's move to our target capital range now.

The new payout ratio, combined with the reduced Solvency II sensitivity leads us to revise our target capital range from 170-230 to 170-220%. You can see just in the middle that we announce that share buyback will at least neutralise – by at least we mean that we could do share buyback beyond the neutralisation of dilution.

Let's move to the ROE now and we increase our new ROE – our ROE guidance from 12-14% to 14-16%. So, for two reasons. First of all, because we did well, I could say, because we have a consistent track record of improvement. Remember, at the end of 2017, we were at 14.5%, above the threshold of 14%; for the first half we were at 15.6%. So, that's a good reason – first reason. The second is the mechanical positive impact from the decrease in shareholders' equity following the AXA Equitable Holdings sell down and the goodwill impairment. That's why we are now at between 14% and 16%.

Let me present our new updated targets for our plan. That's the famous quadrant. And we confirm underlying earnings per share between 3 and 7% on a CAGR between 2015 and 2020. Adjusted return on equity has been updated from 12-14% to 1-16%. Our free cash flows, €28-32 billion and we can expect to be at the high end of this range. And Solvency II ratio is revised to 170-220%.

The conclusion now. I would say that, for sure, nat cats (natural catastrophes) brings earnings volatility, but it is under control and will benefit from the profitable asymmetry, with plus 8%, minus 7% underlying earnings per share in one in 10 years.

Second, we have a very strong generation – a strong cash generation with flexibility, €12 billion are expected in 2020 and, as I explained, with upside coming from AXA Equitable Holdings sell down.

We are deleveraging. We promised you that it was a priority, that's what we will do, and we can expect a clear path for deleveraging. We'll be between 25% and 28% at the end of 2020 and, I would say, irrespective of AXA Equitable Holdings, since we mentioned that we would be at 28% in case we wouldn't sell any further AXA Equitable share. If we sell the totality, we'll be at 25%.

Robust balance sheet. We can expect to increase our Solvency II ratio by 2020 between plus 10 and plus 30 points.

Next, our new capital management policy, that will be between 50% and 60% for the payout ratio and 170-220 for the Solvency II ratio target range.

And last, update on 2020 with revised adjusted ROE (return on equity) guidance from 14 to 16%.

I thank you very much.

Thomas Buberl, Group CEO, AXA

Thank you very much, Gérald, for this passionate finance speech, very clear on the capital management.

I'm sure you have accumulated many, many questions during these couple hours of presentation and I would now like to welcome Gordon, Greg and Gérald, the three Gs, to the stage. So, who would like to start? Let's start in the front here, and the microphone is coming.

Q&A SESSION

Peter Elliott | Kepler Cheuvreux Thank you very much. Peter Elliott from Kepler Cheuvreux. The first one was, we've seen the distribution of the one in 20 years event, etc., I'm just wondering if you can tell us, you know, where you expect to end up in this year, in particular. And if I sort of think back to the Q3 conversation, my understanding was we had maybe sort of 200 million headroom for the protection to kick in. You know, we've since had the California wildfires. I guess, based on last year, maybe 300 million. I'm just wondering whether you can sort of give us any, you know, guidance on whether we should expect the protection to be kicking in now, but more generally, where we see ourselves on that spectrum. Great.

The second question was, I was wondering if we could just have a bit more detail on the 1.4 billion from XL, in terms of how that breaks down. I mean, first of all, how much of that is from old AXA businesses that are now going to be in scope, exactly what the driver the 0.1 billion cost synergies increases. I'll leave it there. Thank you.

Thomas Buberl | Group CEO, AXA Thank you very much, Peter. So, I suggest, Gérald, you take the first question, what does the distribution, one in 20, mean for 2018. And Greg, you take the second, to shed some light on the 1.4 billion and the additional synergy. Gérald.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. To be precise, your question on the one in 200, what is it? It's on the global –

Thomas Buberl | Group CEO, AXA What it means for Q4, for this year.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. I could say that it's, for the time being, you know that the year is not finished, we should be cautious and, as explained by Greg, we cannot yet say what will be the final cost of all these events, but let me go through the global protection scheme that we have at the Group level. I would like to say that, first of all, XL has experienced losses that were less tough than in 2017. Second, XL – AXA XL has its own programme and we have already some protection we started to trigger. Next is that, as we mentioned already, we have our own aggregate and AXA XL has its own aggregate and, from what we believe today, we shouldn't be far from triggering this – biting this aggregate. Next, we could say that, as far as AXA is concerned, because now we are in a single Group, as far as AXA, we have a relatively benign cat environment this year. And last but not least, but quite important, as I presented again in my second slide, we have global protection, which means that whatever happens we can consider that between one in 10 and one in 20, and we will be roughly within this, we won't be in a much remote probability we will have – we should have a cat deviation of 0.4-0.5.

So, that means that that's what I can tell you for the time being and that's – but let's wait for the rest and that let's wait to see what will be the final impact.

Thomas Buberl | Group CEO, AXA Greg, on the 1.4 billion, what part is old AXA and what is the 0.1 additional synergy?

Greg Hendrick | CEO, AXA XL Let me start with the second part first. The 0.1 is really, when you sit down and make an estimate to begin with, you're working with very high-level information. You're still a competitor, so you're not really able to share a lot of deep analysis back and forth. And so, the extra 100 million is really around, over the last 2-3 months, since the close of the transaction we've been able to get more granular about what's there to be saved. Some of it is around what we've talked about historically, which is the absence of the need for a publicly traded company infrastructure at XL and identifying more pieces of that, which we can pull on. The other parts I'm afraid I can't go into, just we're in the middle of the consultation process in Europe, which is part of the main – part of the overlap and we're following that process to its conclusion and it's inappropriate for me to say anything more at this point.

On the 1.4 billion, you know, I don't think about old XL or old AXA in that regard, this is AXA XL. There's a lot of reasons for that. One is, as we look at the leverage that I think we're going to be pulling on, particularly around the growth revenue synergies I talked to, they may show up in AXA XL, they may show up in local entities, it'll just depend on where we go. So, I don't think about things in the old world of XL and AXA. That is a combined plan across the AXA XL family, which is those four pieces I talked about coming together. It's, roughly speaking, if you look at the 95% combined ratio, it's going to be, you know, roughly 60% underwriting, 40% investment income, but I just don't – we're putting the teams together. There's no longer separate – you know, there won't be, as we finish consultation, separate fine art teams, everything moves together and forms AXA XL.

Peter Elliott | Kepler Cheuvreux Can I ask a follow up?

Thomas Buberl | Group CEO, AXA Yes.

Peter Elliott | Kepler Cheuvreux I guess it would have been helpful to get a sort of idea of what the uplift was as a result of the broader –

Greg Hendrick | CEO, AXA XL Yeah, I would say the uplift on the revenue synergies is about 100 million, cost synergies about 300 million, so that's 400 uplift from the combined scale would be the way I would think about it.

Gérald Harlin | Deputy CEO and Group CFO, AXA And you have also – if I may, we have also the asset side that has been mentioned before, because you know that, as a single company, AXA XL was extremely cautious, because they were mostly invested in AA and, as you know, the Group is mostly invested in A, meaning that, in the end, we have some uplift. Just for you to – we could say that where, in the past, they were at 2.1% in terms of because they have more than 60% of their assets in US dollars, we can expect an uplift of 30, 40 basis points, which is quite sizeable. And ACS, as far as – just to complement, as far as AXA Corporate Solutions, AXA Corporate Solutions is a company which, last year, had a contribution to earnings that was 50 million, on top of my head, but it was a poor year. So, normally speaking, AXA Corporate Solutions and all the other entities, like AXA Art, AXA Art was 20 million, so let's say that it's between 100 and 200 million.

Jon Hocking | Morgan Stanley Thank you. Jon Hocking, Morgan Stanley. I've got three questions, please. Firstly, on the buyback, I think it's fair to say that buybacks haven't really been the AXA way historically. Are you signalling here that you're happy with the sort of business transformation in terms of footprint and is there something mechanical about the buybacks? If you sort of head above that 220% range, should we expect to see a recurrent buyback? That's the first question.

The second question, for Gordon on the Asian business. With your sort of agency comments, you didn't mention Hong Kong and with MDRT does that imply you're going to do some recruitment of external agents?

And then on the XL business, just looking at the sort of three buckets you categorised the business in terms of specialty, P&C and reinsurance, how do you envisage that mix changing over time? Thank you.

Thomas Buberl | Group CEO, AXA Thanks, Jon. So, I suggest, Gérald, the first question for you, on share buyback. Then Gordon on Asia, Hong Kong, and Greg on the three buckets and the changes.

Gérald Harlin | Deputy CEO and Group CFO, AXA Let's be clear: what we said is that, after these two years, I'm assuming that, in the end, we will sell 100%, so the remaining 50%, of AXA Equitable Holdings. So, we will have 14 billion of cash and 14 billion of cash in order to finance what? To finance two years of dividend, you can make your own maths, and then we have a residual part corresponding mostly to the cash buffer – I mentioned to you 3.5 billion as a reference, but it's not a very precise figure – and the rest will be used just in order to do some – to do some external growth, organic growth or share buyback. We cannot tell you yet what we will do, it will highly depend on the conditions, the opportunities, but what we want to mention is the fact that if, at that time, we consider that it's in the best interest of our shareholders to do share buyback, we will do share buyback, that's it. And we cannot announce, first, what it will be, but it will be without any doubt, in order to optimise the value for our shareholders.

Thomas Buberl | Group CEO, AXA And that, if I may add to that, is a relatively fundamental change, and you pointed it out in your question, to previous looks on the share buyback. Gordon.

Gordon Watson | CEO, AXA in Asia Actually, thanks for the question on Hong Kong. I'm actually very happy with the turnaround in Hong Kong. I think it was in the third slide, you could see that, last year, our APE was down 13% and that's turned around and, year to date, it's +5%. So, in the first quarter, we were flat, the second quarter, we grew faster and, in the third quarter, we grew faster. So, we have looked at our product portfolio to make sure, you know, we position the life product correctly. We've added innovative health, etc., and we have a whole new proposition to attract agents to AXA. We want to be the next insurer of choice, we want to be modern, we want to use our global brand, etc. We've brought my friend Howard in to do that, because he's done that before and that is exactly what we're trying to do, is to attract new agents. But, to be honest, I don't like to attract from the industry, I prefer to go outside the industry or get new people and grow organically in our culture, which would be that MDRT culture. So, that's the plan for Hong Kong and I think you can see, you know, Etienne and the team have made great progress from flat in the first quarter and slowly growing. So, Hong Kong is very much on track in that regard.

Thomas Buberl | Group CEO, AXA Greg, on the buckets.

Greg Hendrick | CEO, AXA XL Sure. I'll start by echoing what Gérald said, you know, I don't know what the mix will be. I'm very driven by the fact that the mix will chase where the profit potential is the greatest. However, if I answer your question kind of what do I see today as the mix, I touched on the differentiation between specialty industry and specialty niche. I would see specialty niche growing; I think the profit potential there is greater. I would see specialty industry, depending upon where pricing goes, staying flat or perhaps even shrinking. In the P&C world, clearly, property, we are seeking to achieve more rate there. In the absence of that, we would see that, you know, staying the same and growing in the professional and casualty lines a bit. And within reinsurance, you would see the same kind of thing; you know, kind of a flat view of short tail lines and a growing view of longer tail lines. Although there, in reinsurance, the longer tail lines are still coming around, there are still fairly more challenges. So, you'd almost think of reinsurance as kind of a bucket that would move along in this steady state. But if things change, if rates are better, if we're able to find some niches that we think are profitable, that mix will change. I don't wake up in the morning saying, 'I have to have a third, a third, a third' or anything like that, it'll really move to where the opportunities are.

Thomas Buberl | Group CEO, AXA Farooq.

Farooq Hanif | Credit Suisse Hi, thanks very much. Farooq Hanif from Credit Suisse. Gordon, I'd like to go back to your three-stage programme. What's the message on underlying earnings? So, should we just think of, you know, a bit of investment to create a better value business, so we should just be cautious about the growth? That's question one.

Question two is, to go back to – on XL, just to go back on your comment on pricing versus CLIPs and, you know, the market, it has been, you know, as you say, 1-2% ahead, so is that mix? It can't be, because your property weight is lower, isn't it, so what's driving that? That's question two.

And then question three is on the dividend payout ratio, just the trajectory, because obviously you own AEH for a certain amount of time, so how do we think about that 50-60% range sort of lower to higher over time? Thanks.

Thomas Buberl | Group CEO, AXA Let's go in that order: Gordon, Greg and Gérald.

Gordon Watson | CEO, AXA in Asia Yeah. Farooq, Asia is clearly a growth market, so the initial focus is to grow quality new business, focus on increasing the value of new business, not the margin or the volume, but the absolute NBV. That's what we want to do initially, because that is how we will create an increase in the rate of growth of the underlying earnings. We're not a cash cow. You know, in countries like Thailand, that's investing for growth. Of course, there are more mature countries, like Japan, but that's what our focus will be, to add quality new business, which will lead to a higher growth in terms of earnings and you know the kind of growth rates that some of the other top companies in Asia get.

Thomas Buberl | Group CEO, AXA Greg.

Greg Hendrick | CEO, AXA XL So, yes, Farooq, I think there's not a hundred, but there's at least 10 different reasons of why we could be outperforming. I believe very strongly that it's the power of the competitive position that we have. You know, those awards that we win, whether it's J.D. Power, which I touched on, or Gracechurch here in London, as one of the best underwriters, or European Captive Awards as well, you know, they are a representation of the strong support that we get from brokers and clients and I believe we are able to leverage that to a slightly better outcome.

If you dig a little bit deeper, we do – that is a comparative not to the entirety of those benchmarks, but the large risk size, so I don't think it's mix of business in terms of risk size. And then we do compare it in the broader lines of property, casualty, workers' comp and not always are we staying one or two points ahead but, by and large, that margin is the same. So, I don't think it's the overall mix of business. I do believe it comes back to a very strong competitive position.

Farooq Hanif | Credit Suisse But you don't think you were under-pricing beforehand and you're catching up.

Greg Hendrick | CEO, AXA XL No. No. That one I feel very strongly about. I didn't share it, it gets a little bit technical, but since you ask it gives me the opportunity to give you my favourite statistics. We look very closely, month over month over month, how is our submission count going? And I'm pleased to say that we are getting more business.

The next thing you look at is the quote ratio. Of those submissions you get, how many do our underwriters want to quote? And that's been steadily increasing, to the point now where we quote about half our submissions.

And then the piece that would demonstrate where, Farooq, your point would be accurate would be if, all of a sudden, my hit ratio was going up or if I had seen the hit ratio going up, but we find a decreasing hit ratio. So, we're getting more submissions, they're the right submissions, but we're not winning, in fact, we're winning a lower share of our business. So, that, to me, is, at a high level, a pretty good proof point that we're not chasing business and under-pricing it, otherwise you'd see that hit ratio move up over time.

Thomas Buberl | Group CEO, AXA Gérald, trajectory.

Gérald Harlin | Deputy CEO and Group CFO, AXA To answer your question about the 50-60%, Farooq, I would say that – different points. First of all, we have an underlying earnings growth potential – so the 3-7% that we have reiterated – and what we said about XL confirms all of this.

Second, I would say that the XL business is a – at 95% is a very profitable business. It creates volatility, I insist on this. Yes, it creates some volatility and I commented a lot on this, but the global trend is quite good. I'll give you an example. When you take the property cat business in the US, it well remunerates, I would say, the capital, including using two times, for example, the normal capital under a Solvency II framework.

Last but not least, the 50-60% on top will be a way for you to safeguard the fact that if there is a bit more volatility, then we could have a more stable evolution of the dividend.

Thomas Buberl | Group CEO, AXA Let's move to the left or your right.

Mauro Carli | Bank Lombard Odier, Geneva I have two questions for Greg. The first question is regarding what is an expected run rate for prior year reserve releases from 2019 onwards?

And the second question is how do you intend to leverage the specialty insurance platform to cross-sell products to AXA clients and, if you have internal metrics for the cross-selling ratio, I would like to know which of those metrics are high in your agenda.

Greg Hendrick | CEO, AXA XL Thank you. Sorry, on the first one –

Thomas Buberl | Group CEO, AXA PYD and then –

Greg Hendrick | CEO, AXA XL Yeah, on the PYD, sorry. The numbers I shared with you don't include any PYD release or strengthening. They're what I would call accident year, so they're neutral. So, you know, that is a thorough process that we've gone through for years at XL Group, including our own internal actuaries, our external actuaries, our external auditors. We are now building ourselves into the AXA Group methodology and so, for purposes of that discussion, there's no PYD embedded in there.

On the second piece, on cross-sell, we're in the process and the integration team is building detailed plans, country by country, to figure out which specialty and professional products will sell best in the country – in each country and then how do we go about selling those. So, we're going to be looking closely at how many submissions can we generate on each of those lines of business, so you'll watch for flow, as I touched on just a few moments ago, and then you'll watch on the conversion rate of how many you can hit. Those focus very high on our agenda. Kelly Lyles is not here, she leads our client and country management, she's working closely with each of the senior management teams in each of the geographies within the existing AXA Group and it's not minutes, it's not hours, it's days and days of work that we're going through to make sure we line that up. And it's very high on my agenda as well as my colleagues on the management committee.

Thomas Buberl | Group CEO, AXA Ralph.

Ralph Hebgen | KBW Thank you very much. Ralph Hebgen from KBW. Three things. One is on the dividends. On slide 48, you indicate that the new annual dividend potential would be between three and four billion. So, if I sort of remember the Ambition 2020 plan, where you indicated 16 billion over five years, would it be naïve for me to do an illustrative calculation and say if you had said at the time, then this would be about 15-20 billion range and highlight the incremental dividend payment capacity which you hope to harvest from the deal? So, that would be question number one.

Number two is, I believe, for Greg, on XL. Greg, you mentioned that your syndicate presence at Lloyd's is basically incremental and enables you to access customers and brokers in a different way. Is actually what you're saying is it basically incremental to the legacy XL businesses or is there a synergistic potential as well for your presence at Lloyd's, leading to the deliberation whether your presence at Lloyd's is crucial to you or not?

And I think the final thing is a philosophical question. I think, Thomas, you – I'm oversimplifying this too much, but one key element in your strategy is the observation that, in future, P&C risks might migrate more from a personal lines model towards a commercial model, certainly motor insurance. Now, if we look at the Asian presence, you've just become one of the first or the first European carrier to own 100% of a domestic Chinese company there. Ninety percent of Tianping is basically motor insurance and it's a personal lines model there, so how does that philosophy chime with the overall strategy? Do you have different philosophies for different regions?

Thomas Buberl | Group CEO, AXA Very good. So, I suggest that, on the first one, dividend, Gérald, you take it, a capacity question. The second one, on Lloyd's, Greg, and I'll do the last one.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. On your first question, about dividend capacity, remember that when we presented, in June 2016, our plan up to 2020 we said, at that time, that we could accept to have a maximum of five billion of cash available in the end, after a payment of dividend that was assumed at 50% payout ratio. And you remember that the best case was five billion, so, best case, roughly, one billion available for each year. Here, what I'm presenting and what we present on page 48 is much more, because in the end, you know, it means that, going forward, we could expect to have cash available, between one and two billion, between 50-60%. So, it means that, in the end, the transformation that we brought to this Group through the acquisition of XL and the progressive disposal of AXA Equitable Holdings will translate into more cash. You remember that it was one of your questions when we presented in March the acquisition. This is confirmed. So – and if you look at the foreseeable future, 2019 to 2020, what I told you, starting from the 14 billion, and you make again your ow n guess on the dividend, but you will see that there is ample available and that will be even north from 1.2 per year. Okay? I believe that's clear.

Thomas Buberl | Group CEO, AXA Greg.

Greg Hendrick | CEO, AXA XL On Lloyd's, so, to reiterate, it is one – it is a very important marketplace to us and one of the ways that clients and brokers access us. So, just to be clear on that, we have XL Bermuda where we write insurance and reinsurance, we have what we call 'XL ICSE', which is the European insurance carrier, we have XL Re Bermuda. We have a number of different legal entities where our clients choose to access us and source our capacity, Lloyd's is one of them. That was the main thing to convey, was that it doesn't stand alone by itself, I don't direct them to go off and work in isolation on their own Lloyd's business plan, we build the business plan product by product.

Having said that, we are very committed to the Lloyd's marketplace. We are the largest managing agent. We bring that to the table with the acquisition of XL by AXA Group. We're the second-largest syndicate and one of the things that you observe is that each of those three segments I talked about – specialty insurance, P&C insurance and reinsurance – use Lloyd's as a mechanism.

Lloyd's as a marketplace, and AXA XL's book as well, does have a heavier concentration of some of these lines of business that I've touched on that are more challenged, as an industry observation. Property, marine, aerospace, energy, short tail lines of business, there's a higher concentration of that business that trades at Lloyd's. And so, I think, for us, the push is not about revenue synergies there or – it's mainly around improving profitability in those classes of business, either through the underwriting, either through working closely with Lloyd's as we all seek to reduce the expense load that comes with transacting business with Lloyd's, or we continue to work on the overall profitability of each block of business. So, there's not a synergy in there from being part of the AXA Group, it's something that XL brings to the table that we're very proud of that we have, but that we're very committed to improving the profitability of each of those portfolios.

Thomas Buberl | Group CEO, AXA On your third question, Ralph, we have three convictions and that is very much linked to the strategy that we laid out. The first one is we want to focus our growth on Health, Protection and Commercial lines. Why? Because we do believe that those are the arears that are higher growing and those are the areas where we will have the most natural customer contact, in order to serve the customer better. And you've seen that all our growth efforts, both organic and inorganic, have been going in that direction.

The second conviction that we have is that quite a few risks that are today personal lines risks will move to the more commercial space, to the more complex space. Again, take the famous example of the car or you can even take your household insurance, when you think about water leakage, probably today you have a very high frequency of claims, if the mirror has been driven off, if you have a small dent. Tomorrow, those small claims will be all avoided by a more intelligent technology than the human brain and the reactions that we have and the biggest risk will probably be your cyber risk. So, it moves from a large frequency risk to a high severity risk, and you see the same way in the other direction; you will see that these complex solutions are also moving in the private space. So, take, for example, the insurance of cyber for your home; this is a complex risk where we can leverage the XL franchise. Take your solar panels; this is not a simple risk, this is a complex risk, but we can tailor those products also for the retail space.

The third conviction is about emerging markets and, going back to your question, if you want to develop insurance in the emerging markets, you have to start somewhere. The most logical product is always the anti-product, which is motor. And so, as Gordon has laid out, to your specific question on China, yes we have increased our exposure to AXA Tianping, which is traditionally a motor insurance company, with a very clear view of (a) being very focused – we are in all the provinces, we want to stay focused – but (b) to leverage that franchise to build the health business, the short-term health business, because we see that there is the big potential in the Chinese market. If you look at the statistics in China, the average Chinese person needs to wait four hours to have a 10-minute consultation with a doctor in the public hospital network. I guess this is, in terms of patience, not what the Chinese population want going long term and, therefore, having a solution for the private sector is where we want to grow, and that's exactly aligned with the overall strategy.

Oliver, we will have time for all questions, so I just do it from a perspective of the mic location.

Oliver Steel | Deutsche Bank Oliver Steel, Deutsche Bank. The first question is with respect to the 3-7% per annum reconfirmed earnings per share growth target. I think you said at the start of the AXA Ambition programme that you were – you'd expect the growth rate to be accelerating towards the end of the period, but you're not reflecting that in these targets, so I'm just wondering if you want to comment on that.

Secondly, Thomas, you said at the start of the presentation that a lot of the mix shift had largely been done. So, if you're still spending a billion a year or more, possibly, on M&A, where are you focusing that M&A now, if it's no longer for mix change?

And then, Gordon, the Asia targets you've set, I assume they include Japan. Can you give us a little bit more idea about the Asia ex-Japan targets implied?

Thomas Buberl | Group CEO, AXA Gérald, you take the first question, on the acceleration of 3-7%. Gordon, you do the second one, of Asia ex-Japan, and I'll do the last one, on the mix and the remaining M&A.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. You remember, Oliver, that when we presented this 3-7% two years ago, a bit more, we had some assumptions in terms of interest rates and we are more or less in line with this outlook in terms of interest rates. That means that we are not at all in a situation where rates – look at Europe, the rates are 35 basis points on the Bund, on the 10-year Bund. We are slightly above 3.1% on the T-bond in the US, but we are not there yet.

Second point, FX, and this is the fact this year. So, that means that, this year, I can tell you that I have a headwind coming from the FX rate of 2.5%, which is not negligible.

So, on the equity side, maybe a slight – slightly better, but not fundamentally. I would say that there is – you have also to take into account that the spreads are very low and, over the last weeks, we had a recovery of the spreads, which is quite strong. Let's say, if I take – you know, if I take the whole 2018, but it's mostly over the last three years – three months, sorry, it's plus 40 basis points in Europe on a single A name and it's plus 30, roughly, in the US, and this is an excellent news. And so – for the future, but it's not in our books today. You know, you can make your own maths, we are investing 60 billion per year, we have total assets of 600 billion, so it takes a while, but this is a positive sign.

Thomas Buberl | Group CEO, AXA Gordon.

Gordon Watson | CEO, AXA in Asia Yeah. One, they do include Japan. Asia is not heterogeneous and our companies are not, so I view, you know, Japan as a region, greater China and Southeast Asia. If we look at China, we've done a very good job in AXA of creating volume in China on the life side, but not the value. So, for me, the focus is much more balanced. That's why we sat down with Chairman Ma and Wu Xian, to really review what we want to do, so the focus will be there much more on the value of new business, to grow that. I mean, we still like volume, but we need to balance.

Whereas in Hong Kong, actually, if you looked at the results you saw last year, down to answer the question earlier, you know, we'd been down 13% and I think, in some ways, we had shrunk to greatness, because we had the highest margin in Hong Kong, but we had very low volume. So, managing, you know, Greg calls it 'the grind', you know, so the grind is very important, because when you manage a business you have to do more volume, sometimes more value and you need to – so, in Hong Kong, we really need to get the volume up. We need to – you know, that's why we have Howard in in distribution, as we create more value, as we introduce more health products, etc., etc.

In terms of Southeast Asia, you know, I used the case study of the Philippines because, clearly, the Philippines is doing the best out of the three companies in generating, you know, new business value. The volume's good, the value's good, we can still improve that a lot, we're growing faster than the market. Thailand – our company in Thailand is 50% agency, 50% bank. I think most people, for some reasons, feel it's much more bancassurance than agency. We have 15,000 agents. You know, our GWP has grown about 12.6% year to date, which is actually above the market. But there has been issues in Thailand on the bank side, where the industry has gone down, you know, the APE is down about 7%, so we're in line with that and we're half-half, but there hasn't been the problems in agency, so agency didn't suffer from that. But we do have our product now approved. You know, our sales system for bancassurance, which was the first approved by the Bank of Thailand, so we're very happy with that, so we will start to build a better growth more on the bank side. And in Indonesia, you know, we have an amazing partner and, frankly, I don't think we've done the best job in the world of really tackling that and penetrating that with the products we want to do.

So, obviously, Southeast Asia we expect higher growth, focus on new business value in China and, you know, really do the grind in Hong Kong. Well, the grind everywhere, but specifically Hong Kong at this point in time.

Thomas Buberl | **Group CEO, AXA** Oliver, on the third question, I said that the heavy lifting of the readjustment and the shift of the portfolio is done. When you look what we've done, we have shifted from being predominantly life and savings to being predominantly P&C, health and protection, so to really move the portfolio in the direction of technical margin. We are, today, with the composition of the portfolio, once all the operations have been carried out and, in particular, the remaining half of AXA Equitable Holding, we are happy with the mix. We have certain parts still in the life business, in areas where we feel these are very interesting markets. If you look, for example, in France, we are very strong in life, strong growth figures. When we look into Asia, Gordon was talking about Japan and the other markets. So, from a mix perspective, we feel happy.

Where I do believe, and that's what I indicated, in the next phase we will really go more into the payer to partner area. There's two areas where I believe we need to grow our footprint still. One is in the area of health; we have some markets where we still need to increase our exposure. And the second piece is on the services around the insurance coverage. We have started telemedicine in Europe, with great success. We want to roll this out. We have bought Maestro Health in the US, in the secondary health market, population health management. We want to grow this and so, on the payer to partner health, we are already quite advanced. Where we also want to get deeper into that payer to partner is obviously on the commercial lines side, when it comes to AXA XL. Greg, you mentioned this new cyber product with a partner. We want to also grow in these areas, because our aim with the portfolio is we are the number one commercial lines insurer with AXA XL. We are already, today, one of the leading international health insurers, but I believe we can do a little more. Where we need to really push in the next phase is the services around the insurance coverage, in order to make this move from payer to partner even a bigger reality.

I go to James, because his hand must fall off.

James Shuck | Citi Thank you. James Shuck from Citi. Three questions from my side, please. Greg, firstly, on XL, you've given 4% nat cat budget, could you just give me some insight into what the man-made large loss budget is, please, and how you're running against that year to date? Also, within XL, you've mentioned about the rate increases running above the industry data, could you just give an indication of how it's running up against your loss cost, inflation? And with that 95% by 2020 you're actually improving, assuming underlying margin help from the pricing environment, please.

Secondly, Gordon, just a small point, but under Ambition 2020 there was actually a net profit underlying a CAGR growth target, I think it was 15-20%. From your slides, that's kind of absent, so I'm just interested to know whether that's still valid, please.

And third point, Gérald, the point around the cash buffer at the holdco. So, I appreciate you've drawn up 3.5 billion from the operating units, you've indicated that you'd like to replenish that, could you just give a bit more insight, please, into the liquidity at the holdco level? Because the 3.5 billion, you know, I don't really know the starting point, I don't really know how you want to manage that and what is an appropriate number. So, when I think about your cash remittances up to holdco after dividend, it then gives me an indication of how much you actually want to run with. Thank you.

Thomas Buberl | Group CEO, AXA Alright, Greg, you want to start? Man-made loss budget and rate increase versus the loss inflation.

Greg Hendrick | CEO, AXA XL Sure. So, on man-made loss, it was embedded in that exhibit I had around attrition and man-made together. They come together and we kind of look at them together. If I separate out just on the short tail lines, as AXA – as we said, sorry, still translating sometimes – as AXA has said, in the third quarter, no individual loss and no aggregation of large losses was material to the AXA Group results. On a year to date basis, we would say we are slightly ahead of, slightly higher than our normal average experience in man-made losses, but not in material fashion. So, they have come – as you've read about them in the industry, we don't talk about individual insureds at XL and I intend to continue that practice at AXA XL, but in the aggregate, they are slightly larger than what we would normally experience, but not in a meaningful way.

On rate over loss cost, a lot of that rate is in the short tail lines of business, which most of them use exposure as a rating measure and so inflationary-type increases in cost get reflected in the exposure base, which translates right into the premium. And so, a lot of that rate is ahead – on short tail lines, is well ahead of a very low number on loss cost. Casualty, it's more of a balance, although it's a wide variety of stories from line of business to line of business.

In terms of rate playing in there, we don't – to get to that 1.4 billion we need some rate, but it isn't an excessive amount of rate to get to that profit margin I talked about.

Thomas Buberl | Group CEO, AXA Gordon, is the underlying earnings trajectory of Ambition 2020 still valid for Asia?

Gordon Watson | CEO, AXA in Asia I think, clearly, the makeup of Asia has changed a lot. You know, Japan is now included and, the question that you asked before, the growth rates in Japan are different. But I think most of the countries are tracking well, some are a bit behind. Overall, you know, I look at it including Japan, so I would say that, you know, things are tracking along, but I can't say exactly, based on including other countries in other parts, whether that will be exactly there or not, but it'll be close.

Thomas Buberl | Group CEO, AXA Gérald, on the cash buffer.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, on the cash buffer, I would say that, yes, I mentioned the 3.5 billion, because it was clearly said and highlighted when we presented the acquisition and the financing plan. To answer your question, I would say that, beyond this reconstitution, we can leave with 1.0, 1.5 billion at the holding level in terms of excess cash. We are extremely liquid, we have plenty of lines of credit and we don't need more. I would say that – and I mention it many times, it's a pure holding company and that's a big difference with some of our peers, who have an insurance company which is, at the same time, a holding company. So, that's why we have to make the difference and to give some more detail on the cash we manage, but honestly, absolutely relaxed with 1.0-1.5, which is what we'll have at the end of the year and over the plan period, so that's – in other words, what does it mean? It means that the 14 billion that I highlighted, the 3.5 is fine, so I don't – we don't need more, if you want, in order to reconstitute an additional buffer.

James Shuck | Citi Is that 1.0-1.5 in addition to the –

Gérald Harlin | Deputy CEO and Group CFO, AXA When you have a starting point at 1.0-1.5, included in the 14 and, in the end,[4] I highlighted for the use of this 14 billion corresponding to the dividend, corresponding to reconstituting the buffer, corresponding to the external organic growth or share buyback.

Thomas Buberl | Group CEO, AXA Let's move over there, Niccolo, I think – the light is a bit bad.

Nick Holmes | Société Générale Two questions, please. Oh, I'm sorry.

Thomas Buberl | Group CEO, AXA There is a big difference between Nick and Niccolo, but it's fine.

Nick Holmes | Société Générale I misheard. A couple of questions. The first, Thomas, just on the timing of the AEH disposal, just – I mean, clearly, it's very difficult to be precise and exact about this, but I wanted to ask would you be disappointed if a full disposal was not achieved by the end of 2019?

And then the second question, for Gordon, looking at Tianping and its growth in P&C and motor insurance, in particular, I just wondered if you could give us more colour about the control mechanisms you have for underwriting quality. And the reason I ask is that in other emerging markets, like Turkey, I think, was a conspicuous example where not just AXA but many foreign companies found it difficult to adapt to the underwriting environment. I just wondered if you could share with us your thoughts about underwriting quality control in China. Thank you.

Thomas Buberl | Group CEO, AXA Gordon, do you want to start? The big difference between Turkey and China is that there is no Chinese President who has reduced the motor TPL rates by 30%.

Gordon Watson | CEO, AXA in Asia You know, I think, you know, what's going on in China is, you know, we now have 100% control. Before, we never appointed the CEO of our company in China. Now we have the CEO in the room, Xavier, so Xavier will have control of underwriting. And when I gave my presentation, I spoke about more sophistication, going after the segments that we want to be in. So, I think, when the detariffication, which I believe is a word – in the detariffication of China, that will give us much more opportunities to play where we want to play. We have 3.5 million customers at the moment, most of them are in the middle class, so we can start selling up – you know, up-sell, cross-sell, you know, as Thomas spoke about, health, health innovation, etc., payer to partner, add value-added services. So, for me, I think what we're doing will strengthen the underwriting and the governance and do the business that we want to do in China. And, you know, as I said, you know, we have access to almost 80% of the Chinese population, you know, we have 25 branches and 3.5 million customers. So, for me, I think it's an opportunity to go from just volume to really start creating that value and, of course, a lot of that starts with underwriting control.

[4] During the Q&A, it was mentioned that the 1.0-1.5 was on top of the 14 billion, which was corrected in this transcript.

Thomas Buberl | Group CEO, AXA So, on your first question, Nick, am I disappointed, yes or no, if we haven't sold everything by the end of 2019? No, I will not be disappointed, because we are now in a situation where we are halfway, you've seen, Gérald has presented, that the remaining exposure is roughly 50%. We have the clear willingness of selling down to zero, but we have clearly said we want to be opportunistic about when and how we do it and this when and how is very much dependent on a couple of things. One is what is the liquidity of the stock? Obviously, the liquidity of the stock is, today, much higher than it was at 10 May, when we did the IPO. The second question, for me, is: what is the overall market environment in the US? You have seen that it has got a little bit rougher in the last couple of weeks, so we have to monitor that closely. And then, thirdly, and this is the most important piece, for me, we have a very strong management team in place, we have a strong company and this management team has got a very clear plan of how to increase the return on equity of AXA Equitable Holdings. And therefore, the timing that seems to be ideal is to find the right point where those plans are well reflected in the expectation of the share price and where the management team is far enough down the road to also have the track record of having implemented.

So, those are some criteria that we will take, but again, there is no pressure. I think Gérald has made more than clear that the cash generation capacity that we have does not rely on these additional five billion of AXA Equitable Holding. I cannot say differently. I would certainly be very glad if we could implement this divestiture as quickly as possible.

Niccolo.

Niccolo Dalla-Palma | Exane BNP Paribas My questions are all on the €1.4 billion from AXA XL. Could you just clarify if they – do they include the re-risking of the asset portfolio that you mentioned earlier, Gérald? Do they include the New Ocean buyout of the minorities and do they include also the reduction of debt cost related to AXA XL? I mean, 0.8 you said by the end of the year will come from AXA XL and, I suppose, a large part of the three billion as well, is that included in the 1.4? Thank you.

Thomas Buberl | Group CEO, AXA Gérald, since this is very finance-related, you share that answer with Greg.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So, you start.

Greg Hendrick | CEO, AXA XL I'll start. And so, I'll say the first and the third, yes, are included in the 1.4 billion, absolutely. You know, as I said, it was a posture that we took at XL that no longer applies as part of AXA Group, about being very conservative on the investment side. We're just coming into line with other peers and into line with the AXA Group investment philosophy.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes, and what I could complement is that, you can make your own maths, but it's quite consistent with the 95%, you know. It's in line with what was presented before, 95%. This includes, of course, all the synergies and the synergies – we can expect that these synergies will significantly decrease the expense ratio, so that's mostly it. So, all is in it, yes, but it's quite a strong performance that we expect there, you know, because at the same time, you remember that there were a lot of questions when we made this acquisition. It compares with that? It compares with Euro 12 billion of acquisition price. Remember that we will normally upstream 1.5 to 2.0 billion just at the time we'll be integrating our internal model, but we have also – and that was a previous question, we have also to take into account the fact that we have AXA Corporate Solutions and we have AXA Art, so, roughly speaking, you can keep in mind 12. So, 12 billion with 1.4, it's a quite nice ROE, an ambitious ROE.

Greg Hendrick | CEO, AXA XL And then on New Ocean, just very quickly, the current run rate of assets, which is nearing $1 billion, is embedded in the plan. We have not projected into that number any of the significant growth we think will take place both as we raise more funds in conjunction with AXA Group and as we apply more risks to that portfolio, but it shouldn't be a driver – it shouldn't be a major driver.

Thomas Buberl | Group CEO, AXA Johnny.

Johnny Vo | Goldman Sachs Thank you. It's Johnny Vo from Goldman Sachs. Just a few questions. Just to Gordon, just in terms of it looks like there's significant investment you're going to make in the Asian region, so how much of your own balance sheet capacity do you have of your own volition and how did you finance the buyout of the joint venture partner? Did you use your own balance sheet or was that from Group?

The second question is in terms of synergies from the internal reinsurance vehicle of AXA. How much of the synergies are embedded in your numbers of the 1.4?

And in terms of the internal reinsurance vehicle again, materialising diversification benefit, is the diversification benefit going to be passed to the entity, lowering the capital requirement in XL and, therefore, give you pricing power against your competitors? Thanks.

Thomas Buberl | Group CEO, AXA Thank you, Johnny, for those two questions. I suggest, Gordon, you do the first one, again in pair with Gérald, and since the second one is very focused on the reinsurance and the reallocation, Alban de Mailly Nesle, our Chief Risk Officer, is in the first row and he's happy to take that question.

Gordon Watson | CEO, AXA in Asia On the inorganic side, most of that will be funded from the region. I will be talking to my friend Gérald. I do want to do more on brand, I do want to do more on distribution, of growing the distribution faster, having better training academies, so we're still having the discussion as to how much. The vast majority will be funded from the region.

On the Tianping, then I think Gérald can probably answer that.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. About Tianping and the Tianping financing, as we said, it's a €580 million investment. I reasonably hope that, in the end, the regulator will accept that we use the excess cash that we have inside the company. So, it means that it will be €0.4 billion of net investment. And I could say that, for the next and for the next plan, we will have a few hundred million of investment over the next five years, but we don't speak from very huge needs in order to grow and to develop this business.

I would like just to add one point. You remember that, many times, about the remittance ratio we said that we should be between 75 to 85, it's still true. And I would say that – and it was true in the past, meaning that Asia remittance is much lower than France and Europe. The big contributors to the remittance are France and Europe and – but we can expect, going forward, that it will progressively improve, mainly coming from Japan, first, and also from Hong Kong, because we expect that Hong Kong, being more and more, I would say, a more mature country, that we'll get it.

So, we can expect – to make it short – that we will self-finance the local growth and that we could expect that the remittance progressively could slightly improve. But we don't rely too much on this, because it's mostly Europe and France.

Thomas Buberl | Group CEO, AXA Alban, on the reinsurance.

Alban de Mailly Nesle | Group CRO, AXA So, good morning, Johnny. The answer to your two questions is, in fact, the same. So, yes, we have a mechanism, as you know, at Group level, to get the reinsurance synergies, but we redistribute those synergies to the entities. So, yes, it's included in the amount of earnings that you've seen and, yes, it allows AXA XL, in particular, to have better reinsurance and protection pricing and for its own protection, yeah, protection costs.

Thomas Buberl | Group CEO, AXA Let's move to the middle. Andrew.

Andrew Crean | Autonomous Three questions. In Asia, you've still got JVs in quite a lot of your countries – in China, Thailand, Philippines and Indonesia. To get control, would you want to buy these out the same way as you've bought out Tianping or have to pay more to continue the relationships? Is that going to be a substantial cost?

Secondly, are you happy to talk at all about, in the round, how much the company might get from selling some of the 26 countries' portfolio which you've sort of put into high cash or private equity style ownership?

And thirdly, the 1.4 billion target for XL, what does that imply in terms of return on capital?

Thomas Buberl | Group CEO, AXA So, let's start with Asia and the other JVs and, Andrew, in order to buy something, you always need two sides, one that is selling and one that wants to buy.

Gordon Watson | CEO, AXA in Asia Yeah, Andrew, thank you for the question. I think I should go country by country, because it's not one Asia, you know. Take Thailand, Thailand's 50% agency, 50% bancassurance. We have a joint venture, you know, 50/50, with Krungthai Bank. So, we are very happy with that. They have a great brand, we're developing agency, we have access to their customers. In fact, you know, if we just take the three banks in Southeast Asia, they have 35 million customers between them. You know, they're captive customers, because they're all top three players. So, we go to Mandiri; Mandiri we have a joint venture with – equity joint venture with, the same situation. We do have a small agency, 100% owned agency company, so that is a bit different from what we have in Thailand and what we have in the Philippines. The Philippines, again, we own 45% of it. The Philippines, we have a great partner there and you heard the story this morning of how well we're doing in agency, in addition to getting into Metrobank and PSBank. So, we have very happy relationships with them. In fact, I think we can do a much better job in, you know, penetrating Mandiri, for example. So, for me, that is all opportunity, so that's certainly not something that we're looking at, at the moment.

In China, with ICBC, we have 27.5% share. There are lots of regulations in China. I mentioned we have a very much improved relationship with Chairman Ma, with Wu Xian, etc., and we're developing agency within that joint venture as well. So, you know, we are – we're always looking at optionality in China, no question, and other places but, you know, we're very happy with the partners that we have.

Thomas Buberl | Group CEO, AXA The second question, Greg, you take the one on the return on equity or capital for the 1.4 billion.

Greg Hendrick | CEO, AXA XL I'm going to also lean on my colleague Gérald, in case I get something wrong. So, to start with, I'd say the exact amount of capital is clearly still a work in progress. It'll rely somewhat upon how exactly we achieve, and in what way, the mechanism around reinsurance. It's also around what Gérald touched on in his comments, around coming into line with the – bringing the old XL into the AXA Group economic capital model and how all those play out, and you saw Gérald had a range of those as well. But as Gérald just said, if you use roughly €12 billion as the proxy, you'd be in that 12% kind of return on equity basis.

Andrew Crean | Autonomous It is the acquisition price –

Gérald Harlin | Deputy CEO and Group CFO, AXA That's the acquisition price, but in terms of return, we shouldn't be fundamentally different at these levels. We can follow up with you. As we said, we are working on the economic capital. Just as a matter of comparison, you know, Andrew, I could say that if you take the US property cat, which is more or less well priced, although we are still expecting to have further rate increase, today we have a combined ratio, on top of my head, that would be between 90, 91 and it remunerates capital at 12%, because we have a lot of capital due to the volatility we just discussed this morning.

Thomas Buberl | Group CEO, AXA Your third question was on the 26 countries and how did these 26 countries come about. What we showed last November was a segmentation of our countries, where we said we have 10 large countries that make 80% of the Group's profit; we have six countries that are high potential, where we really want to extend our position, one we zoomed on today is China; and then we have 26 other countries, where – that we need to treat differently. We did not say that we want to sell them all and I want to stress that again. We have sold some of them. The aim is and was to reduce the complexity of the Group in a way that we would separate those 26 and manage them in a very different way to how we manage France, to how we manage Japan, to how we manage XL; different way in the way that we look at it in a more private equity mode.

So, we put these countries together in one portfolio, under the leadership of Benoit Claveranne. These countries are managed with a defined cost of overhead and those countries do not follow an overall logic of the AXA Group, they look at what is the local opportunity and how can we benefit from it. And there, you see, for example, that when we think about how do we address the health growth in Colombia, it's very different to how we address the health market in Nigeria. When we talk about Brazil, there's again very different challenges to Turkey. And so, each country needs its separate treatment and being more agile, being very aligned when it comes to the question about regulation, audit risk and control, but being very agile when it comes to the local condition, that's what we have achieved, that's what is working well and we like this model and want to continue this model.

I can't see with the light. Yes, sorry. Sorry, it's Michael. Sorry, I can't see you because the light is so bad.

Michael Huttner | J.P. Morgan No, no, no, thank you for this opportunity. I have two questions. So, one is on volatility and the other one is I wondered if you could ask your – one of your money machines, France, to say a few words because, to me, it underlines the power of the Group at the moment.

On the volatility, I think, Greg, you said that you were reviewing, at the moment, the risk appetite or the reinsurance or whatever, but I'm not sure if that's included in Gérald's slides on this, you know, the plus 8%, minus 7%. In other words, if you reduce the volatility because people like me don't like it very much, would that change the slide or is that already included in that slide that you presented, Gérald? And could we reach the point where the volatility from nat cats and things becomes so full of noise that we will have to wait until 31 December at midnight to have a rough idea of what your dividend will be, because it's a payout and, you know, it clearly affects the earnings? So, basically, I'd like you to have less volatility.

And on France, I just wondered if you could ask your France CEO to say a few words. To me, that's the hidden power of the Group. You know, we saw those extraordinary growth numbers, 8% and 5% at nine months, wonderful, I'm assuming, fantastic combined ratios, because clearly there have been no nat cats or you haven't mentioned anything in that region. And to gain an understanding of how much more France can produce in terms of profitable growth, that would be really pleasant. The reason I ask that question particularly is your France CEO kind of alluded that the reserve strength has actually gone up, so that's another kind of earnings lever.

Gérald Harlin | Deputy CEO and Group CFO, AXA Let's be clear. So, what we said is that we are starting from 3% average cost of cat nat. It's, roughly speaking, 4% for AXA XL, it's 2% for the rest of the Group. If you have a question about the 2%, this is 2% all in. That means that it's natural catastrophes plus natural events, everything is included.

Going back to the volatility, which is a big question. We said plus 8% in one in 10 and minus 7% in one in 10. That's inherent volatility and it goes back to the previous question, that was a question from Andrew, and you're right, that means that we have to pay and we have to remunerate the volatility that is generated by this business. We have two ways to look at it. We looked at it through the purchase price, which was, roughly speaking, €12 billion. We can look at it in a different way, which is the economic capital and we can expect that the economic capital, but we are just finalising this calculation and these figures, should be, at 200%, which is our guideline, I would say, something like 10 billion. So, we have – so long as we have – that's always the point of volatility. The volatility should be adequately priced and that's why it's so important to benefit from this price increase.

I hope I'm clear, but it's really a ratio. When you have volatility, you have higher capital and you have to remunerate your capital, that's it. And that's always the way we have been calculating and pricing our products and that's exactly the way we will do it tomorrow and that's the way it was done by XL just before joining this Group.

Thomas Buberl | Group CEO, AXA Jacques, the hidden power of France.

Jacques de Peretti | Chairman and CEO, AXA France Thank you very much for the question. I think that we have taken advantage in France of definitely a very dense footprint in the territory, definitely. We have taken advantage also of the expertise of our team. This team is now, let's say, a seasoned team and it knows very well the market. We have taken also the opportunity of the brand. The brand in France, and it's not the case for Gordon still now, but the AXA brand in France represents really something, trust and also large notoriety. And also, we are taking advantage also of what is going on, let's say, in the business climate. France, thanks to the change that occured a few months ago, has taken, let's say, new orientation in the labour organisation, on the PACTE law. You know, now, on retirement, for example, there won't be any obstacle to raise our business, on the zero deductible in health; that's also a large opportunity to increase our premium. And when you are a leader in health, when you are a leader on retirement, let's say that these new regulations also open new territories for us.

So, which is new is that we have recovered a large growth and we posted a 9% growth on the first – 8% growth, I think, on the first semester and we are also growing, let's say, the underlying earnings. But there is a real cash machine, which is not France, which is Europe, because if you see, at the first semester, excluding France, they posted an even higher increase of the underlying earnings, with 10%, so I am jealous of my colleague.

Thomas Buberl | Group CEO, AXA Now you have invited Antimo to speak, he has to say something.

Antimo Perretta | CEO, AXA in Europe Thank you, Jacques. What I can say about Europe, we are really focused on our preferred segments that we want to grow and have seen, in this number that we have published, that we grow in commercial lines, we grow in pure protection. We are doing really a hard job in all the savings, general accounts topics. You have mentioned Switzerland, that we have moved our balance sheet from a pure general account product to a separate account. So, we are really doing a lot in the field that we can really have the pace and the speed to grow in our targets that we have fixed. So, what I can say, all the entities in Europe have done really a good job about underlying earnings and we see that we have a potential that we can really do more when we leverage best practice around the different countries. And we have still some challenge, but in the end, I think, to fix clearly what are the preferred segments that we want to grow and we will also put a lot of attention on retail business, because it's important for the payer to partner that just Thomas has explained, to have more interaction that we can leverage this portfolio in the different entities to grow in health, to grow in all the other parts.

So, long story short, I think the potential, even in Europe, not only in Asia, we have the potential to grow and we have the potential to do – to continue to deliver great results.

Andy Sinclair | BofA Merrill Lynch It is indeed. It's Andy Sinclair from BofA Merrill Lynch. Three from me, if that's okay. Firstly, Gordon, you said that your first priority is to double up in China. Do you now think you've got the raw materials you need, now that you've done the Tianping acquisition in terms of raw materials and stakes, or do you think there's any more to be done there?

Secondly was on XL and the reserves methodology. Is the reserve methodology now standardised across the Group? Can we say that there'll be no further adjustments as XL moves to the AXA methodology?

And third and finally was just on the solvency range. I just wondered if you could tell us a bit more about how you came to that range. It still feels pretty wide, even though it's been tightened a little bit, given the limited volatility of the solvency ratio. Thanks.

Thomas Buberl | Group CEO, AXA Thanks, Andy. So, let's start with Gordon, China and AXA Tianping. Afterwards, we go to Alban again, on the reserves and the standardisation of the method. And then, Gérald, if you could comment, is 170-220 still too wide? Gordon.

Gordon Watson | CEO, AXA in Asia So, Andy, clearly you can't understand my accent. You know, I said, 'double down', not 'double up', but maybe double up is better. Yeah, so we're doubling down or doubling up specifically in AXA Tianping, getting control. You know, we have Xavier as interim CEO, we'll be building a team. We've hired Shaden Marzouk for Asia Health, to leverage the health, so we'll have better underwriting, more segmentation, etc., taking advantage of that.

On the life side, clearly, as I said, we have 27.5% control, so that's not real control, that's influence and we are – you know, we're creating a much better partnership, I think, than we had in the past with ICBC, with the new leaders. So, that's why we sat down, we aligned, we're doing our best to influence, as much as possible. It's the biggest bank in the world, so they have massive reach and we'll continue to do our best to influence and work and really create value, go more to regular premium. And we do have some, you know, tailwinds. The CBRC, the regulator in China, is very much on our side in terms of creating more regular premium business and single premium business. So, on the Tianping side, you know, we have control, we'll build the team, you know, we will retain the people we want to retain, we've already taken care of that; Xavier will be doing a roadshow through the 25 branches. ICBC we'll continue to influence heavily to create value, build that agency force that we haven't really done before. And, of course, we have the asset management company, which is doing very well indeed and we want to strengthen and deepen our relationship with SPDB.

Thomas Buberl | Group CEO, AXA Alban, on the – or while you get the mic, maybe Gérald, you can do, in the meantime, the Solvency II range.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. Indeed, to answer your question about don't you have a too wide range, I believe that – first of all, why did we move down from 230 to 220? Just because, as I explained, the volatility is lower. Remember the slide that I presented saying that we would have a drop in the global volatility by 20 to30%. So, that means that the probability, for us, for – to have blips that would push our solvency above between 220 and 230 is lower, which means that that's the reason why we lowered it to 220. At the same time, it's the interest of our shareholders to have a relatively wide range, because imagine what it would mean if we would reduce the range, meaning that it would be a stop and go, and we believe that it's in the interest of our shareholders to have a consistent policy. Last but not least, I could say that my understanding of what our peers are doing is not for restricting – for reducing the range.

Thomas Buberl | Group CEO, AXA Alban.

Alban de Mailly Nesle | Group CRO, AXA So, on reserves, first, you've seen that with what Gérald said on the P-GAAP, we reviewed, for a third time, the reserves. We had done that before the acquisition, just after the acquisition and then a third time for the P-GAAP and there was no adjustment to the assessment that we had done the first two times.

Then on the methodology, I think XL has a very strong reserving methodology. Just to give you a few things on the way they proceed, it's extremely granular, I think it's 1,200 lines that they review, 1,200 triangles and they do that at least twice a year, so that's extremely granular, so I don't think we should oppose the XL methodologyand the AXA methodology ,and we also have, twice a year, our own reviews of reserves and that's very similar. Where it's different, it's the nature of the business, where it's low frequency, high severity compared to the AXA business and, therefore, the angle that you take to analyse the losses and the reserves is different, because you need to be extremely accurate on a case by case basis. But in terms of methodology, I don't think we should say that we're going to move to the AXA methodology, because the XL one is already extremely strong.

Thomas Buberl | Group CEO, AXA Very good. I'm afraid we have to come to an end. This clock is already giving me the indication that we are far over time. I would like to thank you for your questions. I'm sorry we couldn't get to the questions on the telephone, but I hope that the participants on the telephone and the webcast have been inspired, as well, by the questions in the room.

Conclusion

Thomas Buberl, Group CEO, AXA

If I summarise, you have seen that we are on a journey, fully in line with Ambition 2020. We have changed AXA from being predominantly life and savings to being predominantly P&C. You have seen that the delivery of Ambition 2020, Focus and Transform, is well underway and I hope you have also seen today that, with the three pieces that we have shown you, on AXA Asia, that there is a renewed leadership with Gordon. We're extremely happy to have Gordon, with all his team, which represents a much higher local expertise than we ever had going backwards. The focus is very clear on distribution and health and we have a very strong ambition on growth, starting with China and in particular in China, because it's the second biggest insurance market of this world.

On XL, you have seen that the leadership is strong, the leadership is very experienced, the integration is well underway. We are taking a very disciplined underwriting approach, where we balance well profitability and growth and where we have put out, with 1.4 billion and 95% combined ratio, a very clear and ambitious earnings target for AXA XL.

On the side of the capital management, you have seen that we have a higher cash flexibility going forward due to the different business mix; that we focus very much on this core priority of deleveraging and that the path to that is very clear. All of this continuously built on a strong and resilient balance sheet, which is even less now volatile to the earnings volatility given the shift of the portfolio. And, I hope, you have seen that the new capital management policy is a very attractive one.

So, we now have to enter into the next phase, which is very much around continuing the execution. We have all the tools we need. We have completely shifted the company. We have a great management team and many, many talents in the company. We are working a lot on the cultural change of the company, towards more growth, towards more agility and I'm very certain that, with that starting point, with the dynamic, with the great teams, we will also master the second half of Ambition 2020.

Thank you very much for being here today. Thank you very much for the teams for the great contribution and I hope to see you soon. Thank you.

*** END OF THE TRANSCRIPT ***