

# **AXA FY21 Earnings Transcript**

**February 24, 2022**



This document is the transcript of the FY21 Earnings presentation to analysts and investors held on February 24, 2022. The webcast of this presentation is available on <https://www.axa.com/en/investor/earnings-presentation>. 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.

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## **FY21 Earnings Presentation**

### **Andrew Wallace-Barnett, Head of Investor Relations, AXA**

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Hello everyone and welcome to AXA's Full Year 2021 Results. It's great to be back here live in London. A big welcome to all of you in the room. I think we have all of the London sell side here with us in-person today. Thank you all for coming. It's great to have you and it's great to be in the same room together, so thanks for that. And a big welcome also to those of you joining on the webcast, and it's great to have you with us as well today. Here, with us in London this afternoon, we have our CEO, Thomas Buberl; we have our Deputy CEO, Frédéric de Courtois; we have our CFO, Alban de Mailly Nesle; we have also our CEO for France, Patrick Cohen; and we have our CEO for Europe and LATAM, Antimo Perretta. So thank you all for being here as well.

There will be a Q&A session obviously, at the end of the presentation. We'll give preference to those of you here in the room with us, but we're also very happy to take questions from the webcast. So just send your questions in writing and we'll make sure they're read out.

And now for the eighth year, it's my great pleasure to hand over to AXA's CEO Thomas for his introductory remarks.

### **Thomas Buberl, Group Chief Executive Officer, AXA**

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Thank you very much Andrew, and a good afternoon to all of you. I'm very happy to be with you again here in London. It seems like a long time ago since COVID was a very intense time and so very glad to be with you and to exchange in-person, but most importantly to present very strong results of AXA in 2021.

2021 for us was a very decisive and pivotal year. Decisive because it determined for us how would we come out of this very difficult crisis, and you've seen in the numbers that we came out in a very strong way. Pivotal because we come to the end of a transformation phase in which we have shifted the company significantly and it looks very different from what we've seen in 2016.

What are the highlights? Euro 100 billion in revenue, a very symbolic number. It's a level of revenue that is higher than what we've seen pre-COVID and certainly having grown 6% versus last year is a very good performance, and what makes me even more confident is when you look into a detail, all of the engines have contributed to it. There is not a single one that is lagging behind.

We have achieved all of this on a very strong balance sheet, 217% solvency II ratio, 17 points up from last year is a tremendous achievement and is one of the elements that I mentioned earlier when we talked about the question of how we come out of this crisis in a reinforced way.

Certainly, when I look at the underlying earnings, I'm very happy to see that based on a normalized 2020, we have progressed 9% and we certainly again see that all the markets are contributing to this very good result and one particular area I would like to focus on, since we have been focusing on over the last years, is AXA XL. We have achieved the Euro 1.2 billion, which was the target that was not easy to achieve over the last couple years, and I'm going into detail afterwards, but with the very clear and determined underwriting actions that Scott and his team have undertaken, we have now achieved the target. So very strong results across all dimensions.

When we now look at what is going to – what does it mean in terms of underlying earnings per share and certainly also what does it mean in terms of dividend? On the underlying earnings per share, we see there is also a progression of 7%. And as you remember, we had a range between 3% and 7% for our current plan ambition 2023, which means that we are in 2021 at the upper end, which is the good news. It is also on that basis that the Board of Directors has met yesterday and is proposing a dividend per share of Euro 1.54, which is an increase of 8%. And when you look at the pay-out ratio, very well settled in the corridor that we have given ourselves. So I'm very pleased with these results and also would like to use this opportunity to thank our teams for this great result and for the excellent performance, because everybody contributed to it and without the help of anybody, this would have not been possible.

Where are we today? Because I said earlier that we see 2021 as well as a pivotal change. We are now in a place where we have a new AXA that is very different to the AXA that you've known 10 years ago, you've known 6 years ago. Why is it different? Because it's now simplified and it's focused. Why is it focused? It's focused because we are in less geographies, but it's also focused on very attractive business. 90% of our earnings come today from technical earnings and fee-based business, which was very different or which is very different to what we have seen after the financial crisis of 2008 when 80% of our earnings came from financial market results.

With this shift of business mix and the simplification, we've created a very strong leader in Europe and France, and I'm happy to be here with Antimo and Patrick. We've secondly created the number one platform globally for corporate risks. Scott Gunter will be with us digitally later on. And we also created one of the strongest Health franchises across the world. Those areas give us a very good basis to capitalise on it and make that platform grow even more.

When you look at where we are with this new platform in the current Ambition 2023 Driving Progress, we set ourselves at the time five goals. Number one was we want to grow our Health business 5% or more. We've achieved this in 2021 where the Health and Protection business has grown 5%. We secondly said we want to work on our efficiency. We want to reduce our cost base by Euro 500 million between end of 2019 and 2023. By the end of 2021, we have achieved Euro 300 million of this reduction of the cost base. We thirdly said we want to improve technical performance, and again, everywhere be it in France, be it in Europe and certainly at XL, we've worked on this topic, and we've achieved to be better. And in particular, what I said earlier what is outstanding for me, is the technical improvement at AXA XL and achieving those Euro 1.2 billion.

The fourth topic and the aim was for us to be even more of a leader on the climate transition side. Two elements I would highlight. One is the lead that we have taken in the Net Zero Insurance Alliance, which is an association of global insurers in order to also focus our underwriting decisions on how we can accompany the climate transition in a positive way, but we've also taken new commitments when it comes to Oil and Gas. And lastly, we want to increase the cash remittance. When you've seen what we have done, we are clearly also on a very good journey. So I'm very happy with the process. We have made excellent progress on our Ambition 2023, which sets us up for a great way of achieving the plan the way we wanted to.

Let me go a bit into detail on AXA XL, because as I said, it was not easy to get to the Euro 1.2 billion. We've done it and the one reason why we've done it was very hard work of Scott and his team over the past two years in really re-underwriting this portfolio. They've taken every contract with an in-depth view, increased prices, resized the lines so that we have less net risk and also were very courageous in exiting unprofitable lines. This has led us to a combined ratio improvement of 5.1 points in 2021, which to me is a really great achievement, and this sets us up now for the next step, which is a more balanced development between keeping the absolute priority on underwriting profitability but making sure that in some areas in which we believe it's attractive to grow, we also seize more opportunities to grow.

2021 has also been a year in which we have experienced severe natural catastrophes. It was the fourth worst year since 1970. That is also why we have decided that the reinsurance results at AXA XL, given the experience we had were too volatile, we've taken a very courageous decision to cut the Property Cat exposure by 40%. We have started to implement this on the 1<sup>st</sup> of January, so this is already done. And obviously as you can imagine for the other renewals that are coming this year, we will apply exactly the same level of reduction, because we want to make sure that we continue to reduce the volatility after having done it every year by -10%, but we wanted to really grow further with the -40%.

Where are we on this journey to the plan Driving Progress 2023? We have, as you've seen, a very strong growth momentum around the revenues. P&C Commercial, Health and Protection, our preferred segments, grew 5% versus 2020 and on the Unit-Linked and Asset Management side, I'm very pleased to see a growth that is even double-digit: 24%. The technical performance, as I said earlier, has been strengthened and we managed to reduce the current year combined ratio and loss ratio loss ratio by 1.6 points, making sure that we don't only look at how do we optimize the technically results in terms of claims results, but also making sure that we are delivering on our commitments to reduce our cost base. I mentioned it earlier, we have achieved Euro 300 million of reduction of cost base. So this sets us up very nicely to deliver within the target range of 3% to 7% underlying earnings per share. And certainly if you look where we are today, we are more delivering towards the higher end of this target range, which is obviously a very good position to be in.

When we look then at the question of cash, one of the aims of the transformation of AXA was how we get to much more business that is driving and generating a much higher cash, and you've seen that this has worked: having

90% of our profits from technical risks and from fee-based risks means that the cash generation has increased and we could end the year with a cash-at-holding of Euro 4.5 billion, which is well above the aim that we have between Euro 1 billion and Euro 3 billion. We've also concluded one of the two share buybacks that we have announced in November last year. One was the Euro 1.7 billion in order to compensate for the dividend in 2020 that we could not pay out due to COVID restrictions, the 50%. This is completed by February of this year, and we have also now closed the necessary disposals in order to confirm today the second share buyback of Euro 500 million, which concerns three disposals, and you've seen recently that the largest one of those three, Singapore, was also successfully closed. So this will now start as well.

What does it mean for the overall cash trajectory? We gave you an indication on the 1<sup>st</sup> of December 2020 in terms of our cash projection that we said: look, cash upstream will be around Euro 14 billion. We can say today with good confidence that we will be exceeding those Euro 14 billion. Why? Because we've focused even more than we thought in 2020 on those lines of business that are highly cash generative. And secondly, despite the fact that we've already gone a very large journey in reducing our in-force on the life side, think about what has happened with the IPO of Equitable, with Antimo working very hard in Switzerland on the GL2020 transformation, those were big moves. Nevertheless, we have identified some more in-force actions and you've seen some of them already that have come into place, be it a reinsurance transaction in Hong Kong, be it another transaction in Switzerland and another one in Belgium. So this will be a continuous journey.

Another element that I would highlight for you in the topic of cash generation is also the transformation of AXA SA, so our holding company, into a reinsurance company. This is something that is very common in our industry and most of our peers have already done it. We can do it now because we've got the right business mix to do it and it gives us an ability of enhanced fungibility in P&C and certainly as Alban and Frédéric will point out later, an additional lever of cash generation between 2022 and 2026. We've also been very clear at the December Investor Day in 2020 on how we deploy cash. And what we clearly said that we have now a very focused AXA, a very focused footprint, we will look at M&A in a very disciplined manner, but only in places where it adds to the existing footprint and where it has high synergies. And we've also been very clear that the use of cash is always benchmarked against share buybacks, which means that share buybacks remain and are an ongoing part of our toolkit.

When we look at where we are positioned today and what is the setup for the future, we've got today a very strong growth momentum, and this is also represented in great bench strength of talents that we have at the Group and in the local entities. And I'm very confident that the growth momentum we have achieved certainly in the preferred lines can be kept up, because we have an inherent demand of our customers for these risks. Health has become a very large interest of people post-COVID. We've got on company's side, many, many more risks. Certainly another one as of this morning and so there is a high demand for insurance solution, a high demand for advice in order to make sure that the risk management of the company is well managed. So growing in those very attractive cash generative businesses is what we are going to pursue as of now on this transformed, newly

structured platform AXA. All of this happens on the excellent balance sheet, 217% of solvency without, by the way, any equivalence, is something that we have probably hardly ever seen in AXA.

The target range that we have set for ourselves, the 3% to 7% underlying earnings per share, is, from today's perspective, very feasible. We've delivered earnings growth per share already at the higher end of that range, and I will expect as well if we continue that journey, we will remain at the higher end. And what I said to you earlier, I'm of the firm belief that the guidance we've given you around the Euro 14 billion cash on the 1<sup>st</sup> of December 2020 is something that will be exceeding due to the fact that we focus our growth on highly cash generative business and that we also continue our work even further on in-force transactions. So across all the dimensions of our setup of our plan, we are well positioned. The Group is in great shape and our outlook is excellent to succeed even more.

I would like to end here and hand over to Frédéric who will now go into more details and I'm looking forward to the discussion with you. Thank you.

### **Frédéric de Courtois, Group Deputy Chief Executive Officer, AXA**

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Good afternoon. It's good to be with you in London, and I would like now to discuss with you about three operational priorities. The Group is really in a very good shape, and I would like to tell you more about capital and cash management. I would like to tell you more about Nat Cat exposure reduction, especially in AXA XL Re, and I would like to tell you more about business performance which has been excellent in 2021 in all our four business lines.

Let's move to capital management. We had already discussed in the past about in-force actions. We started to implement it. You see that we've signed three small transactions in 2021, Hong Kong, Switzerland and Belgium. You see what they represent, so Euro 8 billion of General Account reserves, +5 points in Solvency and Euro 0.6 billion cash upstream by 2023. Going forward, we have a strong pipeline of future transactions targeting a further Euro 20 billion to Euro 40 billion reserves. The environment is conducive. Transactions can take time to close, but I'm confident that you will see a lot closed by the end of 2023. So why do we do it? We do it to reduce our exposure to financial risks. We do it to release locked up capital and upstream cash to the holding company. So on this front, things are going well.

A second initiative, which is new, is an initiative that we have on the P&C side. You see that we are going to transform our holding company AXA SA into a Group internal reinsurer. We are going to merge our internal captive reinsurance company with AXA SA, and we are going to reinsure through quota share treaties most of our P&C companies to this holding company with the quota share at 25 %, which is not set in stone, but we start with 25%. So of course everything is subject to regulatory approval, and we are confident that we will obtain these regulatory approvals over the coming weeks and everything will be implemented for operation at the end of June and the reinsurance treaties will start from January 1<sup>st</sup>, 2022.

So again, it seems to be a complex operation. It is not. This is only an internal restructuring. So everything is in our hands, and we are extremely confident to be able to implement everything by the end of June. It has a significant impact on cash. You see here that it has Euro 2 billion, around Euro 2 billion cash impact by the end of 2026. We are saying that it has Euro 1 billion cash impact by the end of 2023. Out of this Euro 1 billion, Euro 0.7 billion is due to the cash that we had in the internal captive reinsurance company and Euro 0.3 billion is due to the beginning of the upstreaming of the positive capital impact of these reinsurance transactions. And again, we will have the other Euro 1 billion upstreaming in the following years.

So in a nutshell, we have an ambitious plan on the Life side, we have an ambitious new plan on the P&C side, on cash generation and upstreaming of cash, and this is one of the reasons we are confident to overshoot on our Euro 14 billion target on remittance.

Second topic of the day: Cat exposure and Cat volatility. So we are taking decisive actions to reduce our Cat exposure for two reasons. The first one is to reduce volatility. The second one is because we believe that in many areas Cat pricing is still not adequate, especially in the context of climate change, so we are very selective on our Cat exposure.

You see here on the left side, and this is important that you understand it. At the end, our main Cat volatility is coming from AXA XL Re. We've exceeded our budget on AXA XL Re on Cat by almost 8 points, which is a significant deviation. But on the contrary, you see that despite the fact that, as Thomas said, we had a very bad Cat year, AXA XL Insurance and our general insurance business in Europe, and again, it has been a heavy year on Cat in Europe, have exceeded their Cat budget, but not so much. So again the volatility mainly comes from AXA XL Re, and it explains why we've taken decisive action at the end of 2021 before the renewals.

So what have we done? We've been extremely selective on the renewal on Cats. We have reduced our Cat exposure by 40%, and we have the plan to continue to reduce it during the year, for the further renewals during the year. So that at the end of the year, we have reduced our global Cat exposure for the whole portfolio by 40%. You will see that it reduces our Cat exposure at the Group level by 10% and it is important to say that it preserves the AXA XL Re expected earnings. Why so? Because of course on one hand, we've reduced our exposures, which has a negative impact, but we've increased pricing and we reduced the retro prices. And I will say, more or less the two are compensating, and we believe that we've entirely preserved the AXA XL Re expected earnings for 2022.

Moving to our four business lines and again, we've performed well on our four business lines this year. So I'll start with the first one, which is P&C.

So solid growth on the P&C business, 3% growth last year. If you look at the Commercial business, 5% growth. And here, I'd like to make comment first on France and then on AXA XL. So excellent performance in France in the



context of good pricing. So we've grown the French business by 11% on Commercial lines last year. And we've achieved and we've even over-achieved our objective on AXA XL Insurance and AXA XL Re on pricing. You see that last year pricing have increased by 15% on AXA XL Insurance on 9% on AXA Re, which by the way leads to an average Commercial increase for the pricing by 7% last year. And the renewals at the beginning of 2022 also went well. So we had price increases for AXA XL Insurance of 11% on January 1<sup>st</sup>, and we had pricing increases for AXA XL Re by 8% on January 1<sup>st</sup> this year and we are happy with this.

If you look at the Personal lines activities, so the Personal lines business increased by 1% with the pricing which is stable overall, which is I would say good performance in the context of very much reduced frequency last year and the year before. Looking now at the P&C profitability. So the P&C profitability for the P&C business, excluding COVID, increased by 29% compared to last year. Obviously, the main impact is much better underwriting impact - AXA XL has really delivered on their underwriting performance. So we are extremely happy with the underwriting performance of AXA XL this year. And again the price increases that we've achieved last year and on January 1<sup>st</sup> which you do not fully see in the results will be seen over the coming years as you can imagine. We have a stable investment income on the P&C side, which is also a good performance in the context of lower yields on our assets.

If I look more precisely at the combined ratio, so the combined ratio is significantly improving and this is the consequence of what I've said. Then there are a lot of moving pieces and quite a lot of exceptional items in the combined ratio. So I'll try to make a list of these exceptional items.

I have a list of four:

1. We had excess Cats. Thomas said it that was the fourth worst Cat year since 1970. So this is obviously a negative impact;
2. We had some frequency benefit linked to the lockdown situation, especially in Europe, and this is obviously a positive impact;
3. We had the claims, the deal we've made with French restaurants last year and it has a negative impact; and
4. we have PYDs somewhat above guidance. This is a positive impact.

I would say by chance all these exceptional impacts are compensating each other and this is globally a wash. To make it simple, you can consider that the 94.6% is a clean 94.6% with no negative impact. In reality, the sum of all the four is the minus Euro 50 million negative impact, but globally again, the 94.6% is clean and it makes us confident that we will achieve the 93% combined ratio in 2023, and we believe we are on the right track to achieve the 93%.

So volumes on the life business - volumes increased by 9%, which is a strong performance. I would highlight very much the business mix, which is exactly the business mix we want to have with strong growth in Protection business, strong growth in Unit-Linked business and strong growth in capital light General Account business.

I'd like to highlight here a few points. First, the excellent performance in France. So France business has increased last year by 17% very much driven by the savings business. Why so? We had sales of Unit-Linked business, we had strong sales of retirement business, and we had strong sales of the Eurocroissance business. You know that the Eurocroissance business are capital-guaranteed business at maturity only. So these are capital light business, and this is a business which we are strongly developing in France. And by the way, this is the type of business we are also strongly developing in other European countries. If you look at the ratio of Unit-Linked and Eurocroissance on ratio, divided by our total business, they represent 56% of our total business, which is 15 points above the market. So why did we have a strong growth last year in France? We had excellent performance from our proprietary workforce, salesforce, agents and salaried networks.

The second point that I would like to highlight is the strong performance in Asia. We had a strong performance in Asia, in Japan and in Hong Kong, with the Protection business and capital-light General Account business. And some Unit-Linked business in Japan. So we're happy with this performance in Asia. You see that the net inflow is exactly the one we want. So positive net inflow globally, very positive on our preferred lines of business and negative on the traditional General Account business.

Moving to new business and NBV - this is the consequence of what I've said. So new business increases a lot, so 13%, acceleration during the second half of the year on the new business. This is again what I've said, and I insist on the quality of the mix. You see that the highest growth comes from Protection and Health, Unit-Linked and capital-light business. All of this translates into a good NBV margins, so with 8% growth of the NBV margin. A slight decrease, I would say an immaterial decrease of the NBV margin, which is mostly due to a higher mix of Group business on the Health business line, especially in Hong Kong, which slightly decreases the NBV margin globally, but the NBV margin on Protection and Unit-Linked is increasing.

Life and savings profitability. So the Life and Savings profitability is increasing by 3%. It is increasing by 5% at constant scope. Constant scope means if you restate for the companies we've sold, so Central and Eastern Europe, Greece and the reinsurance transaction in Hong Kong. So again 5% growth at constant scope. At the end, why did it increase? It's a mix of various impacts. So increase of the technical margin with good performance, claims performance on the protection products and extremely resilient investment margin, which is, I would say, good news because you see on the right side that the investment margin in 2021 was slightly above our guidance for the plan. So 66 basis points compared to 55 to 65bps range that we had given in our plan. And we are confident that this investment margin will stay resilient and close to the high-end of the range for the investment margin. Last but not least, the third impact is revenues on Unit-Linked products, so fees on Unit-Linked products and here it increases because of good inflows and because of good performance of the markets. So again, a very solid result on the Life side.

On the Health business, on the following slide, you see that we continue with our strategy of profitable growth. So gross revenues have increased by 5%, which is our objective of this business. And we especially had strong

growth on Group business, especially in France with performance up by 12% because we expand our Employee Benefits offering in France and also good performance in Hong Kong as I've said. We have a very slight deterioration of the combined ratio on the Health side. We have two impacts here. We had a lower frequency last year on the Health business, because of the lockdown, which of course has an impact from this. And we had a negative impact this year on the frequency in Mexico, which is a big Health market for us linked to COVID. So all of these lead to a 0.4 point increase of combined ratio, which we believe is immaterial and again is linked to these two specific impacts, which I have mentioned. So underlying earnings at the end increased by 2%, and you see that Health represents about 10% of our global earnings.

Fourth and the last business line, which has gone extremely well, Asset Management. I'd like to spend some more time on Asset Management. So you see that the average Assets under Management increased by 5%, which is a mix of market impact and net inflows. You see that we had Euro 12 billion positive net inflows last year, especially on the Alternative business, especially in the JVs in Asia and especially in Korea. And we had a negative net inflow in the Core business unit, negative net inflow which is the consequence of what I said before, because we have negative inflows on our General Account products and we had the Hong Kong reinsurance transaction. So at the end, nothing unexpected. The mix has improved because we had strong positive inflows on third-party clients with higher margins and we had again positive net inflows both on the Alternative business and the Core business. We had also strong inflows on the Core business and the third-party business.

Moving to margins. So all of this is the consequence of what I said before. So 20% increase of the gross revenues, which is a mix of higher Assets under Management and a better mix of third-party business and strong growth of the Alternative business. So you see here that our management fee on average increased by 0.7 basis point, which is good news. So the cost income ratio mechanically decreases because our revenues have increased, but also because we had a good discipline on the cost in AXA IM, which leads to close to 4 points improvement of the cost income ratio, and which leads to a 25% increase of our underlying earnings, very much driven, again, by our excellent performance of Alternative franchise.

So last word on our Alternative franchise, which I think you know well. I would like to repeat that we are the first European franchise on the Alternative business. So this is an important subject. So we are the first real estate franchise in Europe. This is my first message. My second message is that the strong performance last year is not a one-year performance. If you look at the performance over the past five years, you see constant high performance for this Alternative franchise. We had Euro 54 billion net inflows in our Alternative franchise over the past five years, which is an excellent performance, and our plan is to continue to develop this high margin business. And I would like to highlight that we have a strong pipeline of client commitments in 2021. So we are confident that, again, the net inflows will be strong in 2022.

So again, to conclude on this, strong performance so far for four business lines. And now I give the word to Alban on the financial performance. Thank you.

Thank you, Frédéric. Good afternoon all. So I will take you through the main elements of our P&L and our balance sheet. Starting with the underlying earnings.

So underlying earnings grew by 61% between 2020 and 2021. Obviously 2020 was affected by COVID losses and excess Cat. If you adjust for those two elements, the underlying earnings increase was 9% between those two years. And so to take the various elements of the P&L that Frédéric just gave you, on the P&C side, again adjusted for COVID, and COVID only, we grew earnings by 29% between 2020 and 2021. We had a regular growth in Life and Savings and Health respectively 3% and 2 %, excellent performance in Asset Management, and Holdings is slightly lower that's because of slightly lower amount of dividends coming from our non-consolidated subsidiaries. So overall, an excellent performance at 61%.

If we move now to the net income, so net income is increasing by 135%. Obviously, this is supported by the strong growth in underlying earnings, but also by the very favourable market conditions that we had last year that allowed us to realize Euro 400 million of capital gains and also led to a mark-to-market through P&L of certain financial assets, namely private equity funds and hedge funds for Euro 1.1 billion. We had limited impact from integration and restructuring costs and from intangibles, and the amount of exceptional items reflect the transactions that we had last year, so be they in-force transactions with Belgium and Hong Kong or disposals like Singapore and Malaysia. So overall, a net income of Euro 7.3 billion.

Now moving to the balance sheet and I'll start with the shareholders' equity. So shareholders' equity was roughly stable, slightly decreasing between full year 2020 and full year 2021. The main reason for the decrease is obviously the OCI with less unrealised capital gains on bonds because of the increase in interest rates, but that was to some extent compensated by the very strong net income that I've just described Euro 7.3 billion. There was also positive impact of interest rates on our pension fund deficits and Forex was also positive for Euro 2 billion. On the negative side, obviously, the dividend of Euro 3.4 billion, and the share buyback – that's the Euro 1.7 billion program that we had realized up to Euro 900 million at 31<sup>st</sup> of December, and obviously we did the rest as you saw in the first weeks of January and February. So then the underlying earnings and the shareholders' equity, that leads us to an excellent ROE of 14.7%, which is at the very top end of our target range of 13% to 15%. So we see that really as an excellent performance.

Moving on to solvency II. So solvency II ratio stands at 217%, up 17 points compared to 2020 and I'll comment a bit more in detail in the following slide, and you see here also the sensitivities that you know well on our solvency.

So on this Slide A29, this is a new slide that gives you more information on our solvency and I think there are several interesting elements in this slide. The first one is that our capital generation was Euro 6.4 billion that's 23 points of solvency, so slightly above the guidance that we gave you of 18 to 22 points. But very interestingly as

well you see that we can grow, and we did grow our business without needing more capital. The amount of additional SCR needed for growth is nil.

Then you had operating variances that's surplus funds that increased notably in France and Germany, economic variances that's obviously the result of the equity markets up and also higher interest rates. You see the impact of dividend Euro 3.6 billion and for buyback, although we had only completed Euro 900 million, we took at full year the full impact of the Euro 1.7 billion buyback and we will take the Euro 500 million that we confirm today at the end of Q1. And we had Euro 1.7 billion of EOF creation coming from capital management generally, so M&A, in-force, and that's the transactions that you know, either the sales or the Hong Kong transaction.

One word about one item that will come in Q1 on our Solvency that you may not have in your radar. You know that there is a reform from the EIOPA on the use of swap rate because of the changing IBOR. So in Switzerland and Japan, we will move to government bond rates. That will have zero impact on Switzerland, but a positive 5 points impact coming from Japan on our Group solvency ratio in Q1. We see that as transitory, because at some point, we should get back probably in 2023 to swap rates and OIS, but in the meantime, we will enjoy those 5 points. But again, as we see that as transitory, we would not use that excess amount.

On cash at AXA SA, so we ended the year at Euro 4.5 billion. That's above our target range of Euro 1 billion to Euro 3 billion. So that's also good performance that comes mainly from the strong cash remittance from our entities, and despite the fact that 2020 was not an excellent year in terms of earnings. There is also debt issuance of Euro 900 million. You know that in our plan that we disclosed at the end of 2020, we said that we could increase our debt by roughly Euro 1 billion and I'll come back to that in the next slide. And there is obviously the proceeds of Euro 1.4 billion coming from the disposals. Conversely, again, the share buyback at Euro 0.9 billion and Euro 3.4 billion of dividend. And you will note at the bottom of the table, the fact that we finalised, finished the rebuilding of the cash buffers locally with Euro -1.1 billion. So we have strong cash flexibility at the Holding and as Frédéric described, prospects on that front are good, given the in-force transaction that we want to do and given the transformation of AXA SA in to a reinsurer.

If we look at financial debt, it grew by Euro 1.5 billion, and of the Euro 900 million that we saw on the previous slide plus FX movement for the remainder. So that's the Euro 18.1 billion that you see. And with this, our gearing ratio is slightly decreasing at 26.4%, well within the guidance of 25% to 28%. And since the beginning of the year, we've done two transactions. We have redeemed a Tier 1 debt of USD 850 million, and we have issued Euro 1.25 billion of Tier 2 debt, for a net amount of Euro 500 million of debt issuance for the time being this year. You will note that the Tier 1 debt had a coupon of 5.5%, so quite an expensive one.

On the investment side, so the yield that we had on new investments in 2021 stood at 1.4% on fixed income instruments. That's the mix of 1% on core liquid instruments such as government and corporate bonds, and 2.4% on alternative debts. And we use what Frédéric described as the strength in Alternative Asset Management. And

you'll see that like in the previous years, we did that - keeping a very strong rating for the investments that we do - AA for government bonds, A for corporate bonds and alternative assets, alternative debt. So that led us to have a P&C yield, which was extremely stable between 2020 and 2021, 2.6%. So precisely, it's down by 2bps. So it's better than the 10 to 20bps dilution that we had given you. And as Frédéric said, we had also a very resilient investment margin that stood at 66 basis points, and we expect it to remain resilient in 2022. Up until yesterday, with the current market environment, I would have told you that we plan to invest in 2022 in fixed income at 2%, so better than the 1.4% that you see for 2021. But markets are bit uncertain, to say the least.

And then the last slide, (what) I want to comment is non-commission expenses. So you will remember that we have a target reduction of Euro 500 million of our non-commission expenses between 2019 and 2023. And we're glad to show that we have achieved Euro 300 million reduction at the end of 2021. But I want to highlight also the fact that we want to keep investing, and notably in technology. So don't expect this amount of Euro 300 million to improve in 2022. But we are still extremely confident that it will improve to Euro 500 million in 2023. Just want to signal the fact that we'll probably have a plateau in 2022. And we are also on track to reduce our expense ratio from 10.4% to 9.4%, because we stand at 9.8% at the end of 2021. So as you see, an excellent performance, but also a robust balance sheet, be it on solvency, cash or gearing.

So I will leave the floor in a second to Thomas for conclusion, but I don't want to do it without first thanking in front of you, Andrew, for the eight years that he has spent in Investor Relations. He was extremely helpful to me when I took the job eight months ago. I believe he created a relationship of confidence and transparency with you. So again, Andrew, thank you very much, I hope on behalf of everyone.

### **Thomas Buberl, Group Chief Executive Officer, AXA**

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Thank you, Alban. And certainly, I would echo what Alban said on Andrew because it was a long and intense 8 years with ups and downs, and it's led to see that this phase is ending at a very high level of results where you go into a next journey at AXA.

Coming to the conclusion, I hope you've seen from all three of us that AXA is successful, AXA is well positioned to continue a very strong delivery. We have a great platform that is dynamic in terms of growth. We have a strong balance sheet, a strong balance sheet we've never had at that level. We have shown in 2021 that we can deliver at the top range of the range we have published - 3% to 7%. We want to continue this journey exactly on that way. And we've become obsessive around cash over the last couple years and want to continue that obsession, making sure that we are growing in the areas where we can generate the most cash, and certainly make sure that we upstream as much cash as possible to the holding and the transformation of AXA SA into reinsurance company is a very important step in that. Thank you very much for being here today. And with no further due, we move to your questions, and we'll start with Michael.

## Q&A SESSION

**Michael Huttner | Berenberg** Thanks so much. And it's lovely to see you here. I have three questions. One, why didn't you raise the dividend more?

**Thomas Buberl | Group CEO, AXA** Sorry, you need to get the mic closer.

**Michael Huttner | Berenberg** Sorry. Why didn't you raise the dividend more as we got all this cash and solvency? The second, can you give us the cash figure this year? Presumably, you must know it because it's all dividends from subsidiaries. And the third is really stupid, but what about Russia and Ukraine?

**Thomas Buberl | Group CEO, AXA** What I suggest, Michael, I'll take the first and the third question, and Alban will try and see how he answers the second question, because we normally don't really talk about the cash of this year, that's for next year.

So why didn't we raise the dividend more? Our policy has always been very clear, we want to have a dividend policy that is in line with the underlying earnings growth and that is attractive relative to the sector and other industries. So when you look at the dividend increase, it has been higher than the underlying earnings per share increase, which I think it's also a very confident note on the fact that we are in a great position. And certainly, we believe that this is a very attractive dividend, and yesterday when we had the discussion and decision in the board, it was very unanimous that the 1.54 is the number we considered to be a very attractive dividend.

When we look at Russia and Ukraine and Alban in his answer on the cash question can maybe go also into a bit more detail. There is two effects that we have to differentiate. First one, which is direct exposure, and to make a long story short, our exposure in Ukraine and Russia is not material on a Group level. So the Ukrainian operations have been sold a couple years ago in the focus and simplification exercise that we've done. In Russia, we are a minority partner in a joint venture, but the profit contribution is not material on a total level of the Group. We have some investment exposure, but more indirect ones. Alban will go more into detail, which is again not material.

There is a second effect, which is obviously an indirect effects. What does it mean for market volatility? What does it mean for energy price increases and inflation increases? But this is something certainly when you look at inflation, that we've been seeing coming over the last couple months already and we are well prepared for it.

Alban, on cash and details on Russia and Ukraine.

**Alban de Mailly Nesle | Group CFO, AXA** So I start with Russia and Ukraine. So to be extremely precise, on the asset side, we have the direct exposure to Russian asset is 50 million, five zero, and we have also 144 million exposure to Nord Stream 1. So the one that is not subject to a sanction and provides the 55 million of cubic meters

of gas to Europe every year. So that's the debt exposure, and that's all we have on Russia, and we have nothing on Ukraine. On the insurance side, we sell political risk insurance, and we have an exposure of 180 million to Russia and 130 million to Ukraine. That business is reinsured 50%. So the net exposure is half the amounts that I gave you. So as Thomas said, extremely negligible overall.

On the cash figure, so we don't give cash figures, but I will help you. I would just say, we have a guidance of, as we said in 2020, a Euro 5 billion to Euro 6 billion cash remittance from our subsidiaries, and we should be well within that guidance for this year. And you should have in mind notably that XL didn't pay a dividend last year, will pay a dividend this year, thanks to its earnings. What you saw that we showed 500 million of debt net, and we have a program of 1 billion net a year. Then we have the holding cost and not supposed to vary. And we have the dividend and the buybacks. And on the buybacks, you saw that we had done Euro 900 million, so there was Euro 800 million to be done on the Euro 1.7 billion program plus the Euro 500 million that we are launching today. With this, I think you have many elements to see where we should land, everything else being equal.

**Thomas Buberl** | Group CEO, AXA Farooq?

**Farooq Hanif** | J.P. Morgan Thanks for having us back. And thank you so much, Andrew. So just a few questions please. On the subject of the Nat Cat - Property Cat - reduction of risk in reinsurance. Could you explain again the dynamics? Because retro prices we all know in lots of areas are up high double-digit, capacity is constraining et cetera, et cetera. And could you also explain what it does to your volatility of the Nat Cat budget or the Nat Cat budget itself in XL or at the Group level? That's question one.

So question two is, can you give us some idea about the potential cash impact from the Euro 20 billion to Euro 40 billion of reserves that you still have to do in-force management on, or some idea of kind of -- because clearly the timing is near, from what you told us over 2022 and 2023. And the last question is the operating variances and the capital generation. I mean, you've generated positive variances for the last three years as far as I remember. Is that something that we should be baking in going forward? Thank you.

**Thomas Buberl** | Group CEO, AXA Thank you, Farooq for your three questions. I propose that Frédéric will take the first question and I don't know if Scott is on, he can maybe complement because we've also talked about the question, how did it look at the market? Frédéric, it would also be good, if you took the second one around the in-force? And then Alban on the operating variance, cash generation, that's for you.

**Frédéric de Courtois** | Group Deputy CEO, AXA Sure. Thank you, Farooq. So I'll start with the Cat question. So first, I come back to what I said, which is that we have reduced the Cat exposure at AXA XL Re for two reasons. The first one is, we are not comfortable with the high volatility that we have seen. And second, we are not fully comfortable with the level of prices for Cat around the world, despite the fact that prices have increased again at this renewal. So this is the reasoning that is behind this 40% reduction of our Cat exposure at AXA XL Re. So where



does it lead us to? Compared to the 6% Cat budget we had for AXA XL last year, we have moved to 5%. And as it was shown on the slide, globally for the Group, we have reduced by 10% the Cat exposure. So coming from 4% minus 10%, we'll be around the 3.6%, 3.7% for the Group.

**Thomas Buberl | Group CEO, AXA** Frédéric. Maybe at this point, if possible, we can try and get Scott in to hear a little bit, what were the price increases that were achieved on the market? And also Scott, that you talk a little bit about how the nature of tariffs has changed and particularly on the secondary perils.

**Scott Gunter | CEO, AXA XL** Yeah. Thank you, Thomas. I hope you can all hear me, and I wish I was there in person, so next time. But yes, when we looked at the reinsurance pricing of the Cat, to complement what Frédéric said was, when we looked at it, we just weren't seeing the price increases that we needed to see to justify the ongoing exposure, in particular, the increasing exposure to do, you know, to the climate change, to the value increases. So while the retro-cession marketplace has gone up and the insurance side has gone up significantly, the reinsurance piece of it just wasn't delivering the pricing increases that we needed.

We still achieved close to a 10% price increase on the businesses we elected to renew, which obviously we selected from. When we reduced it by 40%, we were very selective of what we did renew. And as prices, look at that through the rest of the year and continue to make that decision about what we renew and what we don't renew based on the exposure and the pricing.

In terms of the secondary perils with, you know with the model Cats pretty sophisticated, but what we're seeing is an increase in secondary peril, such as the European flooding, the tornado wind exposure in the United States and all of that needs to get priced into the Cat reinsurance treaty. So to complement a little bit what Frédéric said, while we reduced our overall Cat budget for AXA XL by a little bit, we actually increased it a little on the Insurance side and then reduced it on the Reinsurance side, just because we reduced our Cat exposure. But from an Insurance standpoint we are leaning in a little bit more into the more recent years, particularly on the non-modelled Cat.

**Thomas Buberl | Group CEO, AXA** On the in-force questions.

**Frédéric de Courtois | Group Deputy CEO, AXA** On the in-force. This is a tricky one because no in-force project is similar to another one, but I will help you, and I will give you a benchmark of the impact that we had on our three small operations, and I'm not telling you that it will be exactly the same in the future, but I think this is already a good indication. So I'll give you a benchmark on the Hong Kong, Switzerland and Belgium operations. So in Hong Kong, we made an operation on Euro 3.7 billion reserves. We had a 2.3 points positive impact on our solvency margin in 2021, and it will lead to Euro 75 million of additional remittance in 2023.

In Switzerland, we've made an operation on Euro 1.9 billion reserves. We will have an impact in 2022 of 1.3 points, a positive impact on the solvency margin and we will have a remittance of 180 million in 2023. And in Belgium,

we've made a deal on 2.6 billion reserves. We will have a positive impact on the solvency margin of the Group of 1.7 points in 2022, and we will have a remittance impact – a positive remittance impact in 2022 by Euro 300 million. So does it give you a fair indication of what will happen on the Euro 20 billion to Euro 40 billion? No, but it gives you some indication of what the range is.

**Thomas Buberl | Group CEO, AXA** On the operating variances.

**Alban de Mailly Nesle | Group CFO, AXA** On the operating variances, you're right that we have regularly a small amount of positive operating variances. I would say, we are probably slightly prudent in our assumptions. And therefore, we probably have a small amount of positive operating variances, but you shouldn't bet on large amounts of such variances going forward.

**Thomas Buberl | Group CEO, AXA** Thank you, Alban. Andy.

**Andrew Sinclair | Bank of America** Thanks. Andy Sinclair from BofA. Three for me as usual, please. Firstly, it's just to understand on the HoldCo with the changes that you're making for the HoldCo to become an internal reinsurer, does that change your HoldCo cash targets at all? Or it will still be Euro 1 billion to Euro 3 billion after those changes. Secondly, it's just on the XL COVID provisions that were released, I realize there is still a good chunk of IBNR there, but I think 25% was mentioned and I think that's a bit less than some of the peers. So really what's giving you the confidence to be releasing the COVID provisions at this stage? And thirdly, it's just on the reduction on the Nat Cat exposure, just really want to understand how much that's already completed at 1/1 renewals versus how much will still take place over the year, just to understand how much risk is already off the books? Thanks.

**Thomas Buberl | Group CEO, AXA** Very good. So I suggest the HoldCo changes, Frédéric you talk about it. Alban will take the question on the XL COVID provisions. And then Scott, if you could be brought in again, around the question of the Nat Cat reduction by 1<sup>st</sup> of January 2022 and how much is left for the year? Frédéric?

**Frédéric de Courtois | Group Deputy CEO, AXA** Yes. On the first one if I correctly understood your question. So your question is after the merger with the internal reinsurance company, will we still have the same range of Euro 1 billion to Euro 3 billion on the cash? And the answer is yes, we see it as a fair range for the future.

**Alban de Mailly Nesle | Group CFO, AXA** So you need to look at the nature of the lines on which we have those IBNRs. On the short tail lines, notably on business interruptions, even cancellation and so on, claims came fast and were paid. But we had also reserved for potential long tail lines claims, and for the time being, we don't see much coming in terms of claims.

**Scott Gunter | CEO, AXA XL** And for the question around sort of our reinsurance Nat Cat reductions. As Thomas noted, we reduced 40% in January, and we would expect to maintain that kind of level throughout the rest of the

year. We're going to take a look at that, obviously, the April 1<sup>st</sup> ones, the June ones and we may vary that a little bit, but overall, the annual goal is to be around that 40% Cat reduction for the entire year.

**Thomas Buberl | Group CEO, AXA** And Scott, am I correct in saying that 1<sup>st</sup> of January was also about 40% of the exposure that had been renewed?

**Scott Gunter | CEO, AXA XL** Yeah. It was predominately Europe. But yes, it was, a big chunk of the portfolio was January 1<sup>st</sup>.

**Thomas Buberl | Group CEO, AXA** Let's go to Will here and then we move over to the other Will.

**William Hawkins | KBW** Hi. Thank you. William Hawkins from KBW. Thanks for giving just now the expected new Cat budget. I'm wondering if you simply just re-run the loss of events that happened last year. What would happen to your Cat losses? Would they be lower or higher or about the same? And then secondly please, again in the Solvency II roll forward, your Euro 6.4 billion of normalized capital generation. Should we also be thinking that that's growing at the upper end of 3% to 7% per year? Or is there any kind of material variance relative to underlying earnings, please? And then lastly, that zero of the SCR change, should we be assuming that there's zeros in the future? Or are you growing without straining your SCR sustainably? Or could it be even releasing over time? Thank you.

**Thomas Buberl | Group CEO, AXA** Thank you, Will. So Alban, these are three questions for you. Number one was what would happen if the Nat Cats of 2021 happened in the conditions of 2022. Number two was the question around normalised capital generation. And number three, the zero SCR change.

**Alban de Mailly Nesle | Group CFO, AXA** So on the Cat losses, fundamentally, what we did with our reinsurance program and our exposures. So as was explained by Frédéric, we reduced by 40% our exposures. We'll continue to do that this year with the renewals at XL Re. And we didn't renew the aggregate protection that we had. This aggregate protection gave us absolutely no benefit last year because we didn't reach the attachment point. So all in all, we would have had the same losses in our European entities, and we would have had 400 million less of lost at XL Re. And therefore for the whole Group.

**Thomas Buberl | Group CEO, AXA** Gross and net?

**Alban de Mailly Nesle | Group CFO, AXA** Gross and net. Absolutely. On the 0 SCR growth, I think it might not be exactly 0 every year, but we are moving, as you know, from a business of General Account which is capital heavy, to a business of Unit-Linked and Eurocroissance, capital light products and therefore, net-net I think we really don't need much capital to grow our business.

And on the Euro 6.4 billion, does it grow at 3% to 7%? I have to think a little bit about it. I'm not sure I have an answer immediately, but I think fundamentally on the Life side, it's linked to our ability to generate earnings and to NBV. And you see the pace at which our NBV grows. And then on the P&C side, it's extremely correlated, and Health, correlated to our earnings. So I think it's a probably a fair assumption. Yes.

**Thomas Buberl | Group CEO, AXA** Will?

**Will Hardcastle | UBS** Thanks. A couple of questions just all around PYD really, seeing a level here for the best in about a decade. Just wondering, how much of that was some of the COVID coming out? And just on that point, I think you mentioned earlier, some of the long tail lines is now being released. Could you try and give us some quantification of what really was left on those long tail lines? And then also just on the 0.8 billion increased prudence in the best estimate. Just trying to understand what that related to, is there anything there relating to inflation at all? Somewhere around that. Thanks.

**Thomas Buberl | Group CEO, AXA** Thank you, Will. Alban, three questions for you.

**Alban de Mailly Nesle | Group CFO, AXA** So on the PYDs. So I'll start first at XL. I guess your question is both for XL and for the Group, right? So at XL, the PYDs come from, on the net basis, from COVID. But you will also remember that at the beginning of the year that has not changed. We increased the reserves on the long tail lines to reach the attachment point and we released some positive prior year developments on the short tail lines and notably on Cat. So those two offset each other, and it's net COVID.

At Group level if aside the XL one, it's the excess reserves that's been used for the bonis, that's Euro 1.4 billion. So it's identified as excess reserves on all lines and not a particular line that was used. On the Euro 800 million that we used from that excess reserves to increase our best estimate reserves. You know those best estimate reserves will be the basis of the IFRS 17 reserves. And we've always been on the prudent side when we set our reserves and we want IFRS 17 reserves to be also on the prudent side, and that prudence will emerge under IFRS 17, as it has emerged in the current framework in the past.

**Thomas Buberl | Group CEO, AXA** Andrew Crean? And by the way Andrew, you should be pleased with the picture we put up. It's about bird spotting.

**Andrew Crean | Autonomous Research** Okay, a couple of questions. Firstly, as you come out with 2023, the cash remittances you get out of your business, are they in line with sort of maximum best efforts or do you think there's still businesses at that point where you could get greater levels of remittance year-after-year? And then the second question is a general question around the lower volatility of your business. It's not just you're doing stuff on Nat Cat, clearly the Life reserves which are coming off the books – the 48 billion order it might be, I assume is more volatile, more macro-sensitive. Could you give us some idea as to if you did get that off the books, what it would do to your ROE? What the underlying ROE of the ongoing business is? And whether you might consider the

190% target coverage in a world where you've got less macro volatility on the Life side and less Nat Cat volatility on the P&C side?

**Thomas Buberl | Group CEO, AXA** Thank you Andrew. Frédéric, two questions for you - cash remittance, is it the best effort, and then the 190% in a scenario where we have lower volatility and potentially higher return on equity.

**Frédéric de Courtois | Group Deputy CEO, AXA** So first on cash remittance. We said we are confident to exceed the Euro 14 billion remittance that we have in our plans. And there are three factors why we are confident to exceed these cash remittances. The first one is that we believe that our companies have good results as we see here, and we said that we would be at the high-end of the range on the result. So we believe we will have some more remittance compared to what we have planned. So I would say, business as usual remittance. The second reason is about the in-force transactions. We didn't have much in-force transactions in our plan. We now have a plan, which is ambitious on in-force, and we will have additional remittance also coming from the in-force transactions. And the third impact is coming from the P&C projects that I have described. So the Euro 2 billion coming up. So technically, this is a subtle difference, we are saying that the Euro 0.7 that comes from the cash of the reinsurance company is not, strictly speaking, remittance, but its cash, but it's not remittance. So there is question of definition. So strictly speaking, we will include Euro 1.3 in our remittance and Euro 0.7 in cash, but not remittance. On your second question?

**Alban de Mailly Nesle | Group CFO, AXA** On the improved ROE.

**Thomas Buberl | Group CEO, AXA** And 190% with the in-force transactions. Look, to make that a simple answer, let's cross that bridge when we get to it. I think we first need to deliver on this transaction. I fully agree Andrew, that our aim is clearly to reduce volatility even further. I think on the Nat Cat side we've done a massive shift, if you look which other reinsurer has cut his or her exposure in Nat Cat by 40%, you won't find many. So we've been clear on this one. We want to achieve the last bit of the in-force transactions. When we are done with it, let's chat again about your question.

And I think on the first one, as I said earlier, we have become cash obsessed, which also means that the cash remittance is in the individual targets of all of these people in the room and the level below. So everybody has got a vested interest in doing their best effort in upstreaming cash.

We have time for two more questions.

**Frédéric de Courtois | Group Deputy CEO, AXA** I'll just add to on your question on Life in-force. For sure, all our in-force transactions will be ROE accretive, then what we don't know yet is how much and so on, but let's say, a general idea is that it will be ROE accretive.

**Thomas Buberl | Group CEO, AXA** Dominic?

**Dominic O'Mahony | BNP Paribas Exane** Dom O'Mahony, BNP Paribas Exane. So three questions if that's all right. So I'm very pleased about the cash obsession. Just on the central reinsurance setup. This is going to sound a bit greedy. But is there anything to stop you from a technical perspective going beyond the 25% on the existing plan with the European P&C going into the other P&C entities? Or even going into Life where presumably you'd get even greater diversification. Is there anything complicated about that that we might not be thinking about when we're being greedy about cash?

Second question, the guidance that you'll be towards the top end of the 3% to 7% is very welcome. Can you do that without doing any more buybacks beyond what you've already announced?

And then a third question, this is sort of a very loose question, but I'd be interested in your thoughts on higher rates. The market seems to think that higher rates are not doing an awful lot. Clearly has some mechanical effects on reinvestment yields in Life and P&C, and you might expect higher rates to weigh on the pricing you achieve. How important do you think a higher rate environment is when it comes to the actual nuts and bolts of the earnings and capital generation for your business? Thank you.

**Thomas Buberl | Group CEO, AXA** Alban, why don't you take the first question? The reinsurance setup and I'll take the few other ones, Dominic.

**Alban de Mailly Nesle | Group CFO, AXA** So on reinsurance, that's what Frédéric said, the 25% is not set in stone. And the perimeter that we will reinsure in terms of subsidiaries is it can also vary and can also increase. We're starting with this and then we'll see.

**Thomas Buberl | Group CEO, AXA** Dominic, on your other two questions. On the 3% to 7%, as I indicated, we want to try and repeat the same trajectory in 2022 and 2023 that we have experienced in 2021, which gets us to the higher range. When it comes to the question around share buybacks, and can we achieve it with or without share buybacks? We hopefully have been very clear in our Investor Day on the 1<sup>st</sup> of December 2020, where we set out the plan. And in this plan, we spoke about two things.

One was around what we do around disposals. And there we've been very clear. Earnings dilution from disposals will be compensated through share buybacks and I think you've just, at the very beginning of my presentation, seen the proof of it. The 0.5 billion that are now confirmed and that have been put in action. And the second thing we said that there is a very strict discipline on the use of cash, which means that any acquisitions and investments we do will be evaluated against share buybacks. So I repeat again, share buybacks are an ongoing part of our toolkit and if the board decide to use them, they will be part of this earnings trajectory that you described.

On rates, we clearly expect that rates are increasing both in the US, more in the near-term, but also in Europe. Rate increases are in general positive for our business because they do increase our investment income as an investor that is largely invested into fixed income. The question is very much what is the speed of these increases? And we believe that the US will certainly start before Europe, but certainly that Europe will catch up more in 2023. So we see the rate increases as a positive sign for our business, which will obviously enhance the ability to increase our investment income.

We'll go to one last question. James?

**James Shuck | Citi** Thank you. It's James Shuck from Citi. My first question is, the guidance 3% to 7% that you're coming out now at the top end of that range. What has actually changed around that number? Because the cost savings target is same, the combined ratio target in P&C XL is the same. So what are the moving parts that give you more confidence to come in at the top end of that number?

Secondly, on the margin of the best estimate. That Euro 1.4 billion release that we've seen there. Maybe I'm not thinking about this right - correctly, but if you have Euro 1.4 billion, that's about 2.8 points of total PYD at the Group level. So you normally have positive one-offs. So ex that release of margin over best estimate there hasn't actually been any normal one-off as I would say, it's probably just explaining what's happening there ex that release?

And then finally just on restructuring charges which kicked up quite a lot in the second half of the year that seemed to be quite connected with France. So I thought France had been through the big restructuring program already. If you're right just give us any guidance that restructuring charge outlook going forward. That'd be helpful. Thank you.

**Thomas Buberl | Group CEO, AXA** Thank you, James. So Frédéric, I suggest on the first question with the 3% to 7% and the moving parts, you should give the answer. And then Alban, if you can take James' last two questions on the Euro 1.4 billion release and the question around the restructuring charges, and does it concern France, yes or no. Frédéric?

**Frédéric de Courtois | Group Deputy CEO, AXA** Yes. On the 3% to 7%, what has changed? What has changed is that on all parameters of our result, we believe we will be towards the high-end of what we had in the plan. So first, on the cost, I mean, you're right to say that we will be at the Euro 500 million. We will be at the Euro 500 million cost reduction despite inflation pressure, which is important to say, which means that we are confident that we will be able to compensate for the additional inflation pressure on costs.

On technical margins we also believe that we will be towards the high-end, be it on the Life side or the P&C side. What you see, what we have achieved on price increase especially on Commercial lines is on the high-end of what we had planned in our plan and this is something which has not yet materialised in our earnings, by definition.

So what has been done last year is partially materialised, but only partially, and what we're doing at the beginning of the year has not at all materialised yet. So here again, on price increases, this is towards the high-end of what we had in mind.

I've talked also about the investment margin, especially on the Life side. On the investment margin, we had said that we would be at 55 to 65 basis point, we are at 66. Why are we towards the high-end? They are two factors. The first one is that we've been able to compensate for the decrease of the yield or the interest rates through good performance on our alternative assets and we have, again, a lot of unrealised gain with these alternative assets.

But even more important, we've been able to decrease the policyholder profit sharing exactly in a parallel way compared to the investment return. So at the end, the corridor has remained absolutely stable, and this is especially what we've achieved in France. You may have seen what we've announced in France. And we believe we are going to be able to continue to do this. So I would say that on all the technical elements of our plan, we are on the good side of what we have planned, and this explains, we believe also that we will be on the good side of the 3% to 7%.

**Alban de Mailly Nesle | Group CFO, AXA** And so on your two other questions. On the PYDs, apart from XL, where you saw that there was the COVID reserve that came out of the best estimate liabilities. Everywhere else, it came from the excess reserves, and we didn't have any positive or negative PYDs from the best estimate liabilities. And I will come back to the earlier comment I made on the fact that that best estimate liability is the basis of IFRS 17 reserves and that we want to be on the prudent side for that.

On the restructuring costs, we indeed have a bit more than Euro 100 million for AXA France, and then we have around Euro 60 million for Europe and Euro 80 million for AXA XL and that's all the restructuring costs to carry on with our efficiency program to drive costs down. Does that answer your question? Well, look. I think fundamentally you can bet on that kind of amount this year as well, because we will carry on having a restructuring and cost reduction in a number of entities.

**Thomas Buberl | Group CEO, AXA** Thank you very much to all of you. In summary, three points maybe for you to take home.

Number one, these good results 2021 mark also the end of our first transformation phase, which has brought AXA to be significantly simplified - less countries, less complexity, very much focused on technical risk. 90% of our result comes now from technical risk and fee business. And certainly a company that is far more focused on their customers. In 97% of all markets and lines of business we are at or above customer satisfaction of the market – first point.



Second point, this platform is now and the teams behind the platform are now fully focused to grow in the preferred segments – Commercial line, Health and Protection and making sure that we are fulfilling the view: how can we create and grow in areas that generate cash.

Going forward, we want to continue this journey. How can we reduce volatility through macro risk, through natural catastrophes? How can we bring our cash, and how can we be stable in an environment that changes, be it geopolitical crisis, but also be it accounting changes? I am personally extremely confident and with the team that you have seen here and also the team that is not present here today, we will achieve a very successful 2022 as well, and certainly a very successful fulfillment of our plan driving progress.

Thank you for being here. Thank you for your questions. And I hope to see you soon again. Thank you.

\*\*\* END OF THE TRANSCRIPT \*\*\*