Investor Day

Company Participants

- Amanda Blanc
- Andrew Wallace-Barnett
- Antoine Denoix
- Benoît Claveranne
- Damien Vincent Marmion
- Dawn Miller
- Denis Pierre Marie Duverne
- Etienne Bouas - Laurent
- Gaëlle Olivier
- Gérald Harlin
- Jacques de Peretti
- Jean-Louis Laurent Josi
- Jérôme Droesch
- Karima Silvent
- Matthieu André
- Nick Lane
- Paul Evans
- Thomas Buberl
- Todd Solash
- Unverified Participant
- Véronique Weill
- Xavier Veyry

Other Participants

- Andrew J. Crean
- Blair Stewart
- James A. Shuck
- Jon M. Hocking
- Mark David Cathcart
- Nick Holmes
- Nicolas Mora
- Oliver George Nigel Steel

MANAGEMENT DISCUSSION SECTION

Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Good morning, ladies and gentlemen, and welcome to AXA's Investor Day. Thank you very much for those of you who came from the UK and who are brave enough to cross the channel at the time of the football matches and the French strike. So we're really grateful to you for that.

I'm going to kick off this day, and Thomas Buberl, the incoming CEO of AXA, will follow me, and I'll start with a brief introduction looking back at Ambition AXA. You will recall that our strategy was about three strategic priorities, selectivity in mature markets, acceleration in high-growth markets, and efficiency everywhere.

The selectivity piece was both about improving the profitability of our existing business and about redeploying capital across the group selling €9 billion of businesses in mature markets, underperforming businesses, and buying €5.5 billion, 90% of that's in high growth market. The acceleration piece was about both organic and inorganic developments in emerging markets, and efficiency, we delivered as you will recall, €1.9 of cost efficiencies.

With that program, we delivered on all key performance indicators. Underlying earnings per share grew by 7% per annum. We ended 2015 with Solvency II capital of adequacy of more than 205%. We generated more than €25 billion of cash. Our dividend growth was quite strong. We have now much stronger emerging market footprints, which will present roughly 17% of our new business and roughly 18% of our revenues in P&C.

We have had for the seventh year running the number one insurance brand globally. We have started our digital journey and we are well in our way in the digital transformation of the company. We are quite resilient to low interest rates, and I've demonstrated that throughout the periods. We anticipated rising rates, we were capable of facing declining rates, while improving our profitability. And as a result of that, (02:33) stock has declined and our stock has improved over the five years.

Having said that, we are faced with a few challenges, as you can imagine and also opportunities for the next phase. We believe that we have demonstrated a strong resilience, which provides us a strong base to go forward. The first challenge that we are facing is top-line growth. In the last five years, as we put profitability as the main objective, this has led to some respect to slower growth and this is clearly a challenge that we are facing now.

Customer focus has been a constant theme during those five years, but we are not there yet and we need to leverage the new capabilities that we have gained in the more digital world to be much more customer focused.

And finally, on the technical margin fronts, we are reasonably good since our margin are quite strong, but we still have some way to go. If we achieve those three objectives, we will be a company which will achieve a higher PE and I'm sure, that all of you would like to see that happening.

With that, I'd like now to hand over to Thomas, who is taking the charge, following Henri as the CEO. Thomas, over to you. Thank you, very much.

Thomas Buberl {BIO 16182457 <GO>}

Thank you, very much Denis. Thank you very much good morning. I'm extremely honored to be in front of you today and to present the new five year plan to you. When I joined the insurance industry, many, many years ago, people said to me, what do you want in this industry? It's a dusty industry, but they were wrong.

Over the time, I discovered that, this industry is a great industry, because it is about helping people, it's about making a difference and really being there, when people need us to be there. I've decided for myself, this is a great purpose which is very much aligned with me and I want to contribute.

And when I had the chance in the last couple of months to revisit 15 countries of AXA, I saw this feeling everywhere. People were extremely energized, people were extremely willing to make a difference and I'm really glad to be here today with my teams the new management committee, but also with quite a few operational managers from AXA because we believe that, showing you the people who are working on the things, showing you concrete examples is the best we can do.

This new team is a very particular team, it's a team that has been recruited internally, which shows that, we have a very deep talent pool. It's a team that has a very mixed experience of being long-termers of the last phase, but also young people international people that's together with that mix, will lead us into the future. I am in the middle of it, having already been in the last phase and still young enough to help to transform our industry and AXA into the future.

If we look at the context where we are, we have an excellent starting point. (06:07) have shown that we have a great track record based on Ambition AXA that we have resilient balance sheet and we have a great earnings capacity. If we look forward, our context, our environments will be as challenging as it used to be as we see things that will drive our way forward.

The first one is clearly about low interest rates. A couple of years ago, we've been thinking this is a temporary phenomenon. We now know this is the new norm. How are we going to react and change our business model to it. The second big driver we see is on growth. The old equation emerging markets equals growth, mature markets means no growth is not true anymore. We need to be selective about growth and need to see where do we have the capabilities to grow and how can we copy paste what we've done well in one country to other countries.

And the third change of that fee is really on the customer front. Customers are now used to buying things at Amazon to interacting with Google and Facebook, they are demanding the same from us and as you can imagine, buying an insurance policy at AXA is not yet quite as buying a book at Amazon.

What we also see is that customers really want us to play a different role. They don't only want us to pay bills, they want us to become their partner in their life. And therefore, our program for the next five years focuses on two big things, focus and transform. Focus, how do we address the lower rates? How do we address selective growths, transform, how do we address the new customer demands, how do we become from a payer to a partner?

I'm extremely proud of what we have achieved in the last phase. And this gives a good basis for us to do more of the same. Focus means increasing the operational performance. We are looking at four big drivers. The first one is selective growth. How can we copy best practices from one market to other markets? Being selective means, we look at very few things. We will be looking at commercial lines, we will be looking at life insurance leveraging our asset management. We will be looking at Asia.

Second thing, reducing costs. We've successfully reduced costs by €1.9 billion in the last phase of Ambition AXA. We will do another €2.1 billion in the next phase until 2020. Third issue is around improving technical margins. We still have a way to go. We have been successfully operating with smart data. We will now deploy this across more countries in order to gain efficiency and improve our margins and also be able to have some margin if markets, particularly on the commercial line side turn in the starting cycle.

The fourth piece is about capital management. We're in a new world of Solvency II. We can improve our capital management to upstream more. These expected results of focus will be clearly that we can grow earnings despite the headwinds we have from low growth, from low interest rates. We'll do more and we will really compensate that, so that we will end up at an earnings per share growth between 3% and 7%.

Why 3% to 7%? Because we clearly need to differentiate what is in our hands, gross cross capital, but also what is not in our hands, foreign exchange, equities and interest rates. And depending on which scenario we look at, we end at 3% to 7%. Bearing in mind that we still have flexibility on the pay-out ratio since we're at the lower end, we're well positioned to increase the dividends over the next year.

(10:45) transform. Transform means clearly how do we get into a different relationship with our customers. In the last phase of Ambition AXA, we have invested heavily in the question how do we become more digital, how do we get more advanced. And if you look on the competitive spectrum, we're today very advanced in digital. We want to leverage these investments in the next phase and really see how can we transform ourselves, how do we become from a payer to a partner. Customers want more from us than just paying bills. They want us to accompany them, they want us to be easy with them and they want us to help reducing their risks. This aligns our interest and their interest and creates a win-win.

We need to go this journey. We really want to become this partner of the customer. How will we deliver? First, we need to change the customer experience. Today, the customer experience often a direct channel and an agent and often these are in competition. We need to create one seamless customer experience that is hybrid, that is easy, that is fast.

The second thing is, in order to accompany the customer, we need to enlarge our business model, we need to offer additional services, be it prevention, be it care coordination in order really to accompany the customer and have a very different relationship, a more intense relationship with our customers.

In order to change our business model, we also need to change ourselves because tomorrow customers might be interacting with us not by telephone, but by Facebook Messenger. We need to take our own colleagues on this journey. We need to upskill the people that we have. We need to recruit new talents in order to really address the new demands of this business model.

These are the important issues around transform and if you look at the governance that we have put in place as of 1st of July, it's perfectly aligned with the question, how do we transform our business model? The new governance is about transformation, is about customer orientation at the highest level, but it's also about innovation. When you see transformation today, you would see, it's the first step of many steps to follow. I am today on day minus 70 of my new job. So going on, working myself in, we will continue the dialog on transform because it's a journey that we have started, but it's a journey that will be not be finished tomorrow, because it's a journey that is part of a larger vision that I have for AXA. My personal dream is really that in 15 years, in 20 years, AXA is significantly contributing to reducing chronic diseases to really helping people having dignity in their retirement. In order to achieve that, we really need to help and engage our customers to way that we really empower our people to live a better life.

This is personally a unique opportunity for us being well positioned and really taking the opportunity of tomorrow from becoming a payer to a partner. This also means, we will engage the entire AXA staff to come with us on the journey and coming back to my 15 country visits, I have sensed a great energy, a great desire to really go together on this journey.

As a conclusion, we have shown a great track record, we have a great staffing point to go into the next phase. The next phase is about focus and transform. Focus, how can we really improve the operations in order to over-compensate the headwinds in the market. Transform, how can we shift our business model from a payer to a partner. I'm extremely excited to go on this journey together with a great, with a young with a dynamic management team. And we will deliver, we will show you that we are going this way based on a great operation, a great stuff, a great team that we have. Thank you very much. Enjoy the day, and I'll hand it over to Andrew.

Andrew Wallace-Barnett {BIO 18671460 <GO>}

So, thank you, Thomas. And I'm going to explain to you a bit program that we have today. And in setting up the program today, we have two key objectives. The first one is to illustrate with the series of examples from the business of what we mean exactly by focus and transform. The second objective today is to introduce you to a large number of the new management team and senior leaders. So, we have a large number of topics, a lot of examples, quite a lot of people, so be warned it's going to be quite a ride for the next couple of hours. We call it a little bit IR Day meets speed dating.

So, what are we going to do exactly for focus, as Thomas just said, focus is about the steps we take immediately to support our target to grow earnings and dividend despite the macro headwinds, that's what focus is about. And there are three parts of that; selective growth; efficiencies and margin improvement; capital and cash. So, the first section, we're going to talk to you about the selective growth, and we're just going to use three examples and they're not exhaustive, three examples the capital light savings business in mature markets, P&C commercial lines, and our Asian growth story. So, they are three examples that we'll cover. We'll then take Q&A on both Thomas' speech and those pieces and we'll take a break. After that, we'll come back with transform. And remember, transform is how we will go into our new business model. And there are three aspects to that as Thomas said, a new customer experience from payer to partner and adapting our capabilities.

And the three examples, again, non-exhaustive, but the three examples that we'd like to use to explain that today, for new customer experience, we'd like to talk to you about our vision for the future of retail business. We're going to then talk about the health business as an example, a very good example of what it means when we say payer to partner. And then, for adapt capabilities we'd like to take you through and explain some analysis that we've done on what we believe to be the evolution of our workforce going forwards.

Then we'll take Q&A and we'll do a second part on focus, and hopefully you'll still be awake, and at that point, we'd like to go back to focus, which is remember about selective growth but also about efficiencies and margin improvement, capital and cash, and we'd like to talk to you about how we see smart data improving the technical margin over the planned period.

And then we'd like to give you an update on our in-force management program, and then in his own masterful way, Gerald will come and explain how all these pieces fit together and contribute to the financials of the plan. And that's where the whole day comes together. So, the Q&A at the end of all of those sessions, what we would ask is that, you ask questions related to the section that the Q&A belongs to, so finance questions need to wait till the end. So, try and keep your questions linked to those parts.

So, it's a bit of a journey, it's a bit of a ride, a lot of speakers, a lot of topics and to kick this off, I'd like to welcome to the stage Paul Evans and Nick Lane.

Paul Evans {BIO 20793138 <GO>}

So, good morning everybody. My name is Paul Evans, and this is Nick Lane. Our objective this morning is to share with you our conviction that AXA can drive powerful growth in savings in mature markets despite the low-yield environment.

Now to do that, I'm going to share with you our thoughts on the key drivers to market growth in mature markets. And then, I'm going to illustrate our conviction that we can exceed market growth in these markets. Thanks to the pace within which we have accelerated the transformation of our savings business over the past few years, and also, because of the strength and the breadth that we have achieved in competitive advantage across the value chain of the components of our markets.

Now, if we turn first to our markets and the key drivers of growth, we believe that in mature markets, this profitable growth can be sustained over the coming five years. Why so? And why so because – why so despite low interest rates, and perhaps because of the level of interest rates; why so, because, we fundamentally believe that over the past few years, the amounts that one has to have accumulated to acquire the income that you'll need for a dignified retirement has grown substantially. In the time between Bill Clinton retiring as President and Obama retiring towards the end of this year, the amount that Obama has had to save to purchase the same income in retirement has more than doubled. Now, I don't think we need to worry too much for the dignity of Obama's retirement. But the society at large, if you're able to save, you're going to have to save much more and you're going to have to put those savings to work.

So, rather than purchase a guaranteed product perhaps yielding just 50 basis points, you're going to need to take the upside investment markets. You're going to need just fully embrace Unit-Linked saving solutions potentially, but varying degrees of downside protection. But here of course, AXA's interests are fully aligned. While traditional, fully guaranteed products are capital consumptive at the point-of-sale, our Solvency II presentation to you last year demonstrated that profitable Unit-Linked savings products, hybrid products and the newly-designed general account products are capital accretive at the point-of-sale, products that we termed capital-light.

So, whilst our customers need to take the upside potential of investment markets, we can deliver those products whilst at the same time, shifting the orientation of our business towards capital accretive solutions. And we believe therefore, the markets will grow, because our customers fundamentally need to save more, but though grow in the areas of capital-light products, because our customers need the upside potential in investment markets. And there our interests aligned in the sense that we will be creating capital than rather consuming capital during that time.

So why do I believe that we have the opportunity to exceed market growth in those conditions? Firstly, because fundamentally, we are so far ahead of our competitors in the transformation of our savings business, and in particular, the transformation of our new business mix. Thanks to our focus in the past five years on capital-light products, we have grown Unit-Linked sales over that five-year period by compound rate of 9%. We're also at the same time focusing on improving the margins of our general account business and reducing its capital consumption and allowing sales there to drop back by 9% a year, was improving our margins by 13 points.

Now, that transformation has led us to a position where just 5% of our IPE in 2015 is in the traditional general account area which is capital consumptive. And I believe therefore, the transformation of our new business mix towards products which offer the customer the potential of upside was being capital accretive to AXA is complete.

Whilst in contrast for many of our competitors, that journey is just now commencing. And during that time, of course, in most of our mature markets, the U.S. aside, our customers remained resolutely focused on wanting a guaranteed return. But not only because many competitors have enhanced the yields offered on general account by realizing gains in (25:19) books.

So those gains are going to be exhausted. Those yields on general account are going to continue to fall, and therefore customer behaviors are going to change, changed rules, investing in solutions, which offer the upside potential investment markets. And there, we are ready, transformation completed, to accelerate the growth and deliver products to our customers.

The other end, during that time of the past five years of creating that transformation, we've learnt a great number of lessons about how to design and to distribute supplement products. And Nick's going to bring that to life in a moment with a number of illustrations how we done that in Japan, in France and in the U.S.

But, one of the main learnings that we've made over the past five years is that you need strength in the breadth (26:06) across the value chain, if you're going to best optimize the mix and the margin of your new business in mature markets.

Now, I'll tell you the various components of the value chain here, it's obvious that AXA's brand is the market leader in this segment. And therefore, it is the most recognized and the most trusted brand, and therefore can most efficiently acquire customers, which can be directed to our core competitive advantage in this segment, which is our proprietary agents; 25,000 proprietary agents willing and able to give advice to our customers. One such an advantage, but in contrast, general account products, guaranteed products are sold. They're sold on a commitment to return the capital invested and a minimum return, it's much like a bank account.

In contrast, solutions which provide upside potential to investment markets have to be advised. You have to advise the customer to put those savings at risk; advise them on the funds they might choose to invest in; advise them on the degree of downside protection.

And it's thanks to our 25,000 agents that we are so far ahead in the transformation of our book. Thanks to the training we've given them. Thanks to the (27:30) them. Thanks to the great products that we've offered to enable them to bring great products to our customers. But the three core elements of those products, again, are linked to the value chain and our strength in that chain.

But prior to investment solutions, AXA's investor managers, AllianceBernstein are able to deliver great retail funds to our customers, which allow us to bring better value for money, was also capturing a greater share of the margin. These funds are sourced and packaged by our multi-manager businesses, (28:07) in Europe, FMG in the U.S., to deliver outcome-orientated funds or risk-rated funds, funds which our advisors and our customers can better understand in terms of expected returns and volatility.

And those fund solutions are than packaged with longevity, mortality, downside investment protections to meet the risk appetites of our customers and the market conditions and the prevailing regulations in each of our markets.

That has been supplemented with tools we are delivering to create a multi-channel after-sales experience. And after-sales experience engages our customers to ensure that they are regularly updated on the performance of their funds during a particular period of volatility, because in the past, savings was almost a far and forget industry. The synergy move into investment in solutions, you have to keep your customer engaged, and a multi-channel experience will do that, but not only that if a right opportunity to further up-sell and cross-sell and it will dramatically reduce the cost of serving our customers. Thanks to the Digital Solutions.

That is enough of the theory. I want to pass that to Nick, who'll bring that to life with the help of illustrations, while I come back and bring it together in terms of the numbers. Nick?

Nick Lane {BIO 16392572 <GO>}

Great. Thanks, Paul. Listening to Paul, it's clear people are facing retirement crisis. They're living longer and they're not saving enough and the old rules don't apply. And I'm hoping in the next couple of minutes I can crystallize for you how we're both driving profitable growth, but more importantly helping our clients achieve dignity in retirement and empowerment through financial literacy.

Now, when I imagine the global retirement markets, I think of a global garden. The core ingredients for success are the same, but how they manifest themselves in local climates is slightly different. A good gardener can grow (30:05) in Britain, dates in Dubai or peonies in Paris. And the three examples I'm going to cover for you here represent distinct ecosystems.

AXA U.S. leading in a defined contribution landscape. AXA France transforming in a historic general account and state-backed pension system. And AXA Japan, pioneering in new frontiers.

So, let's go to AXA U.S. On the left-hand side of the screen, you will see our financial track record. Today over 90% of our business in the U.S. is unit linked. And over the last five years, we've grown new business volumes by almost 80% and new business value by close to 300%, while at the same time reducing the capital strain and tail risk of our products by over 30%.

Now, how are we doing that and where are we focusing to accelerate? You can see the core programmatic ingredients that Paul mentioned before. And this is where we're looking to better partner with our clients. Now to make it come to life, I want to use the story of Susan Smith, a 54-year old divorcee. Like 80% of Americans, she had investment convictions, but was looking for advice and validation to help her secure her retirement plan.

Now, Susan's story with AXA actually started with Allstate, one of our affiliated third-party distributors and her advisor, George, was excited to show her AXA's new retirement products, and iPad illustration system. And Susan, after sitting down with George realized she could better secure her retirement by investing in a structured capital strategies product, a tax buffered note that offered her 10% upside to the market with 10% downside guaranteed protection. So, what's the point? What's the key differentiation? The key is we've taken our products or interfaces in our stories that were homegrown in our proprietary AXA advisor greenhouses and replicated those through third-party distribution.

And today, the P&C channel, which did not exist three years ago, represents over $1 billion in annual sales. Now, a quick note, are we expecting a heat wave from the DOL? Our view of the current proposal is that it's much more moderate than the initial proposal. And we would be at the lower-end of the guidance that Gérald gave this past December. The world will add cost and complexity, but we think there are opportunities for those companies that can navigate the terrain, and I'm sure this would be a subject that we'll cover in detail in the Q&A.

Now, on to AXA France, once again our track record on the left-hand side. Today, over 39% of our business is unit linked, compared to a market average of 20%. And over the last five years, we've gone from new business value margins in the single-digits to over 30% today, while, reducing our capital strain of our products by 20%. Now, where are we looking to drive and focus our acceleration for the future? And I want you use the story of Emily Bertrand to make it come alive for AXA France. Now Emily's journey with AXA started with one of the great marketing campaign, Happy Hours, more retirement less taxes online, which motivated her to sit down with her AXA advisor, her AEP advisor, Jerald and going through the new AXA Discovery tool, jointly created, with Apple and IBM. Emily decided she could better secure her retirement by taking advantage of the (33:54) tax structure and investing (33:58), a hybrid, general account, unit linked structure, who's outcome funds are powered by (34:06).

So, what's the key point, the key differentiation in this story? AXA France is taking its leading market share position and through front-end technology-enabled advice and backend technology enabled insights, helping clients, better secure their outcome by investing in the markets. So, finally, AXA Japan pioneering in new frontiers.

Once again, on the left side, you can see our financial track record. Today, almost 70% of our business is protection and healthcare based, focusing on the retirement outcomes. And over the last five years, margins have moved north of 100% and the capital strain and tail risk for the products reduced by roughly 19%.

And I believe Mr. Suzuki's story is just as powerful. A craftsman from Asaka, Japan with one daughter. Mr. Suzuki's (35:03) was growing increasingly frustrated with the low yields he was receiving from his postal account and sitting down with his Chamber of Commerce adviser, Mr. Tanaka (35:13) who had dutifully served him throughout the years and going through AXA's new Compass tool to uncover his needs. He decided that in AXA Life, variable universal life product plus catastrophic care and long-term care, would allow him to better optimize his taxes, prepare for retirement and pass on his legacy to the next generation.

So what's the point of this story? The key point of differentiation is even in harsher environments, we can meet the needs of our consumers by focusing on their outcomes. So I'm hoping that my (35:50) here illustrated three points. First, demand for what we do dignity in retirement is growing in mature markets. We have a track record of success, and we have the core programmatic ingredients to continue accelerate going forward. Ultimately, we're not looking to grow like weeds, but rather in a focused, disciplined fashion that will bear fruit for both our clients and our shareholders.

And I'm now going to turn it back to Paul who's going to talk about the future harvest.

Paul Evans {BIO 20793138 <GO>}

Nick, thank you. So taking these illustrations and expanding them and exporting them to other countries, we believe over the coming period, the coming term, we can grow our new business value by putting 3% and 5%, whilst holding our new business mix in mature markets at the level we achieved in 2015. The transformation is complete, and therefore, there's no need for further rationalization.

Why so? Fundamentally, we believe markets will grow, because people need to save more looking for (36:44) retirement. They just save more and put their savings to work, which means that they need to have investments, which – investment opportunities, which give us the potential to distribute capital-light products. And we can distribute these products, thanks to the enormous transformation we've already achieved over the past five years and thanks to the strength that Nick has just illustrated across the value chain.

Thank you very much.

Nick Lane {BIO 16392572 <GO>}

Thank you.

Unverified Participant

And I'd now like to welcome to the stage the commercial lines team, Gaëlle, Amanda and Dawn.

[Music] (37:16-37:28)

Gaëlle Olivier

Good morning. I am Gaëlle Olivier, in-charge of the P&C business, for the AXA Group. Property and Casualty represents roughly one-third of the group revenues, one-third of the group earnings, 60% in retail lines, 40% in commercial lines. Today, with my colleagues, Amanda and Dawn, we want to share our strategy to grow selectively in commercial lines.

Commercial lines is an attractive market, with a good combination of growth and profitability. AXA is always a solid player, and we believe that we are well-positioned to grow profitably and affect (38:21) the pricing cycle. Thanks to our multi-distribution strategy, solid technical skills and more than 500 risk engineers to develop prevention capabilities, and our geographic and business diversification.

Today, we want to share with you how we are going to grow selectively on both SME and mid-market strategy.

Let me hand over to Amanda Blanc, the CEO of our UK and Ireland operations.

Amanda Blanc {BIO 19138679 <GO>}

Thank you, Gaëlle. Okay. Morning, everyone. So over the last 12 months, we've spent a great deal of time developing a new commercial lines strategy and that is segmented according to customers. So for SME that is those with employees up to 50 number, we have one strategy and for mid-market, another strategy. Dawn will talk to you about mid-market, and I would like to focus on SME.

So SMEs make up 85% of businesses worldwide, so that big number. And what they're really looking for from the research that we've undertaken is simplification in the products that they sold. They know they need to buy insurance, they're just not quite sure what that is. They're also looking for digitization, they're very retail like in their approach to buying, and therefore, we need to make sure that we adapt our business accordingly.

Quite in contrast, mid-market is more focused on unique and tailored propositions more advice based. So in the UK business, over the last five years, we have looked at the SME market in great detail and we have grown our share of that SME market. One part of that business is the UK direct business, which five years ago was the face-to-face business. And what we've done over the last five years is transformed that business into a digital business.

So what we wanted to do today was to take you through this business in the eyes of one of our customers. She is a real customer. Her name is Kelly. And she is an entrepreneur and she is a gardener and she is not really interested in insurance. What she is interested in though is protecting her assets, protecting her employees, and she wants to really look after her business. So she is attracted to us by our wonderful radio ads for (40:49) those of you that have come from the UK and listen to Absolute Radio may have heard them.

And she is also attracted by our digital marketing campaign. She is very focused on her and her needs as an entrepreneur. She goes online on her computer at home, and she sees that actually accessing the website is very straight forward. She uses a tool called the Business Wizard (sic) [Business Insurance Wizard] (41:10). It tells exactly what she needs as an entrepreneur. It unbundles the products and puts in really straightforward, simple language so that she understands the cover that she needs, not the cover that we want to sell her.

Having decided she was going to buy the product, she goes on her iPad, because it's easily optimized and she's able to buy the product, she's able to pay for it online, and then, she's able to store the product online so that if she needs it at any time, she can do that.

Now that she's an AXA customer, she's able to take advantage of all the various value propositions that we have as AXA to offer her. A tool called SimpleSocial, which allows her to manage her social media activity, something called AXA business club (42:00), which gives her discounts to the products and services that she needs. Business Guardian Angel, a tool which allows her to prevent risk in her business and gives her advice on the sort of things that she needs to think about, not just insurance related things, but things that she needs to think about as an entrepreneur. So all of these things are real value-added propositions.

Now, should she need to make a claim, she's able to do that online. She's able to notify the claim online, she's able to track the progress of that claim online. And then, after all of those things, she can rate us using an independent rating tool called Feefo, she's able to give us feedback on all of the products and services that we offer to her online.

As you can see these are the results in the UK. So the numbers I guess speak for themselves. But this is not just the UK success story. These assets that I just demonstrated to you here in the UK, yes, these are UK examples, so we have these examples all over the AXA world. And so the real trick is now taking all of those assets and rolling them out across the AXA world.

Using the three pillars that we show here, so whether those assets are related to distribution, whether they're related to the value proposition or whether they're the digital tools, we have already wrote as a (43:22) number of this in fact I just (43:25) described to you to other AXA countries. So where we are really strong in a market, we know that we need to differentiate to become more digital. Where we have a strong position but perhaps not in SME, we're able to take those tools and help SME growth, and obviously, in new territories, we're able to take all of the tools I've shown you here and deploy them into the new territories. So this gives us great confidence in our ability to deliver growth in commercial lines, in particular, in SME.

Now, I'm going to hand over to Dawn and she is going to talk about mid-market.

Dawn Miller {BIO 20787122 <GO>}

That's great. Thank you very much, Amanda. My name is Dawn Miller. I'm Head of Business Development for our P&C operations globally. So we're going to move from Kelly and over to our client Karolin. Karolin manufactures solar panels in Germany. She's got a very, very active business. She's benefited from an open-trade regime in the EU over the last five years. She's tripled her business and now she is ready to go abroad.

She is going into China, Indonesia and Colombia. This is the new territory for her and opening up new risks. Karolin and many of her peers, who are previously SMEs moving up into the global scale, don't have time at times to create the insurance buying or risk management teams they need and that is where an organization like AXA, as her business protector, can help her.

How do we do that? We do that through speaking to her in her language. We create offers, primarily around manufacturing and wholesale, as we saw in earlier slides, specific in her language to talk about the risks and needs that she has going forward.

Think about it, when she is in Indonesia, Thailand, China, Colombia, these are new risks, new regulatory regimes, new issues, financial loss, areas that she's not familiar with. So again, having AXA with her as her business protector, business partner will keep her business solid moving forward.

So also how do we communicate with our mid-market clients? What other tools and capabilities do we have? So in Switzerland, in Germany, we underpinned our mid-market offering through an extreme area of technical expertise. Last year, in Germany alone, we had 3,000 risk prevention visits. In fact, in Germany, as well, we accompanied 4,782 to be precise, clients on their journeys abroad, peers of Karolin.

We also in the UK, in Turkey, in many of our other countries have mobile surveyor applications, business interruption applications that help the clients understand and demystify insurance and understand what their needs really are. Now, our value as AXA also comes as our clients' needs become more sophisticated, and I don't just mean by crossing borders as they grow, as terms of trade globally become more competitive, you have cash flow issues, you have balance sheet issues. We have a role to play in helping our clients stay afloat and stay profitable, offering cyber insurance, surety coverage, marine liability, trade credit insurance, this is how we stay relevant to clients like Karolin as they move abroad.

Let's talk a little bit about International. Over the last decade, we've seen over 50% increase in the number of our clients in the mid-market segments going abroad. We anticipate another 60% to cross another border in the next 18 months. I read a report last night from HSBC that said 83% of the world's SME and mid-market clients have international expansion as their number one priority. For us, it's the cornerstone of our growth, retention strategy and important to stay relevant to our clients.

In 2015, the AXA Group made a significant investment into increasing our technical capabilities underwriting prowess in the international arena. Through nine hubs that you see articulated here, we give access to our middle market and SME clients to our partner network across 150 countries. This means they have one point of contact for engineering, underwriting and claims needs all over the world.

So as you can see here the capabilities I articulated, sure, the numbers will speak for themselves, market leadership and our leading geographies and an extreme expansion international insurance.

So let's leave Karolin for a moment, we're going to talk about our peers. How are we dealing with the mid-market? How are we growing the space globally? I spoke with you about trade sector differentiation, distribution sophistication is another pillar for us, all resting on an agile operating model, that operating model for mid-market is a natural outgrowth (48:00) of the operating model that Amanda articulated for SME in the UK.

So let's talk about distribution. Distribution actually for mid-market is a little bit challenging. 75% of the distribution for the mid-market is articulated through third-party intermediaries, and of course, agents. Those intermediaries are very localized. They have individual needs, individual market characteristics, how do we cater to that? We cater to that through a flexible easy to understand, easy to digest, easy to advocate value proposition. It's important to me that these intermediaries articulate the AXA value proposition for Karolin and her peers before anyone else does. AXA academies, dedicated sales team, call centers, and easy to understand educational materials are how we move forward in this segment.

So similar to the SME story, as we're pushing out globally, here, you can see in our leading geographies we already have a number one or top five position in mid-market. Now, it's time to industrialize what we've been able to grow from a technical capability and underwriting prowess perspective across into geographies where we're underrepresented and also into emerging markets so we can stay current for Karolin as she moves abroad.

So I'm confident with these fundamentals and these foundations we will not only continue to beat domestically in the mid-market arenas that we're in now, but we'll also continue to beat and to drive forward on a global scale.

So from that, I'm going to pass you back over to Gaëlle to wrap up.

Gaëlle Olivier

Thank you. So as Amanda and Dawn have shown to you, we have demonstrated success for in our SME and mid-market space. Our commercial lines strategy relies on those customized plans that we are going to roll out across the globe. It relies on these segmented approach towards SME and mid-market as well as all the acceleration on our larger corporate reach (50:06).

Thanks to our multi-distribution strategy and our digital assets, thanks to our solid technical skills and our prevention capabilities, thanks to our diversified business both in terms of geographies and lines of business, we have a very significant potential ahead of us, and we are ready to roll it out globally. And this is why we plan to deliver over the next five years, 3% to 5% compound annual growth rate in commercial lines.

Thank you for your attention. And now, I'm going to hand over to Jean-Louis for the Asian growth story.

[Music] (50:43-50:59)

Jean-Louis Laurent Josi {BIO 16032698 <GO>}

Good morning, everybody. My name is Jean-Louis Laurent Josi and I am in-charge of AXA Asia.

There are actually three main messages that I'd like to share with you today. The first one is that in the past years, we have built in Asia profitable, diversified and leading positions. Secondly, you have now in Asia very strong fundamentals that we report, the natural market growth of the region. However, on top of that, AXA will grow faster than the market by focusing on specific and proven growth enablers. And the third message that we'd like to give you is the fact that the contribution of Asia to the group earnings will become even more important tomorrow than it is today.

So speaking about foundations, what are these? I'm sure that you remember that five years ago, we told you that Asia will be one of the key growth areas of the group. Five years later, what are the results? We are now active in 10 countries in Asia, and this includes the scope of AXA Asia, plus Korea and Japan.

In terms of our earnings, they increased from €580 million to close to €1 billion last year. In 2015, 43% of the NBV of the entire group has been generated in Asia. And in terms of the customers, out of the 103 million customers of the group, 25 million are in Asia.

So if we now focus on the scope of AXA Asia, which is basically Asia, ex-Japan and ex-Korea, the picture is even more impressive. First, in the past five years, we have more than doubled our earnings reaching €551 million last year and showing the CAGR of 17%. We're now active in eight countries. We serve 20 million customers. And last year, 25% of the NBV of the entire group was generated by AXA Asia. And between 2011-2015, 16% of the growth of the group earnings was generated by AXA Asia.

So obviously, these are impressive indicators, but these do not reflect the leading and diversified positions that we have built in Asia. And indeed today, AXA, as an international company, is the largest P&C company. AXA is also the third largest life and savings company in Asia. And we also have built leading position in countries. We are the largest P&C company in Hong Kong, the second largest P&C company in Singapore. In Thailand, Indonesia, in the Philippines, we're amongst the top three in the life and savings. And in China, we have now and by far the largest foreign joint ventures both in life and in P&C.

Second element, we have built in Asia a unique composite position. As I'm sure you know several of our competitors are either life or non-life. We do both. We are better diversified. And on top of that, we are growing our asset management business very quickly in Asia, and we have now the second largest assistance business in Asia as well.

So definitely, we have now one of the most diversified and one of the most comprehensive presence in Asia, (54:45) differently, we're also better prepared to resist to potential shocks.

Third element, about our distribution channels, and the same could be said. We have leading and diversified positions. We have exceptional positions in bancassurance. We have more than 65,000 agents in Asia. We are growing our broker business, and we are developing our digital offering.

So we have great foundation. What about our future? This will be our future. We will grow our earnings between 10% to 12% on a yearly basis and our earnings by 2020 will be more than 60% higher than the current ones. So you could ask me the question how are we going to achieve that? Two pillars for that. The first one, the natural market growth of the market that thanks to our size and foundations (55:38), we will be able to fully leverage. And we do estimate that the natural market growth of the market will contribute to 6% to 7% of our earnings CAGR.

And you have three pillars that will explain that natural market growth. First, the economic growth of the region. Second, the massive protection and saving gaps that you see in Asia that are being explained by the lack of awareness, but as also explained by the fact that the social welfare systems in Asia are not as developed as the ones you can find in Europe. And third element, the rise of the middle class. What you should keep in mind here is that today, roughly 20%, 25% of the worldwide middle class is in Asia. By 2030, it will be more than 60%.

Second pillar, we do believe that on top of this macro element, we will be able to grow earnings faster than the market, by focusing of specific and proven growth enablers. And we do believe that these enablers will contribute to 4% to 5% of our earnings CAGR.

And now, we'll describe four of these enablers. The first one, which is about leveraging a unique portfolio of partners and partnerships and the example will be China. Second enabler, it's about reaching new customer segments and the example here will be Indonesia.

Third enabler, it's about better leveraging our existing customers, and the example here will be Hong Kong. And last enabler, it will be about improving our product mix, and here, the example will be Thailand. So obviously, as you can imagine, these four enablers are just examples of all the actions we have in order to support our earnings.

Now, let's go through these enablers. So the first one, as I already mentioned, the first enabler to grow earnings faster than the market is about leveraging a unique portfolio of partners and partnerships, and indeed, a majority of them are quite recent, which means that we have just scratched the surface of the potential of our partners and partnerships. And so, the example that I'm going to use here is about China, about ICBC AXA which is basically the largest bancassurance deal worldwide.

So the joint venture with ICBC to AXA, as you know, has been launched quite recently in 2012. And despite that today, we are already and by far the largest foreign life and savings joint venture, and we are the tenth largest life and savings company. And despite that success, we have only accessed 0.3% of the 250 million customers of ICBC.

So yes, indeed, we have only scratched the surface of the potential of this partner. Now, what does that mean for activities in Asia? We have in Asia 11 partners and partnerships. Majority of them are less than five years, and altogether, they represent a potential of 700 million customers.

So what you should keep in mind is as for (58:47) ICBC AXA, we just expect for the time being the tip of the Iceberg.

Second enabler to grow earnings faster than the market is about reaching new customer segment and here objective by 2020 is to become in Asia a leading insurance company in emerging customers, which is a segment that basically lies between the underprivileged and the middle class. And the example that I'm going to use here is about Indonesia. In Indonesia, you should note that out of population of 250 million, roughly 40 million, 44 million of them are indeed emerging middle class. And so with AXA Mandiri, we have targeted that segment and we have sold to-date 1.5 billion policies.

Now, you could ask me why do you target that segment? Yes, three main reasons for that. The first one, it's a large and an untapped segment. Secondly, it is the middle class of tomorrow, and it is why we want to accompany them in their economic progressions, but we also want to make sure that they will not slip back into poverty.

And third element which is also critical one, it is a profitable segment for AXA in Asia. That segment has a combined ratio of 83%. Now what does that mean for activity in Asia? So as I said, we want to become a leading insurer in that segment; and that segment in Asia represent a potential of 500 million customers. And by 2020 we want to access 20 million – 35 million of them. And in order to achieve that we will focus on four strategic markets; India, Indonesia, Philippine, and Thailand. And to target these segments, we will leverage, notably, partnerships with Telcos and retailers.

Third enabler to grow earnings faster than the market is about leveraging our existing 20 million customers. So the objective here is to better cross-sell, better upsell our customers and not only in an existing one line of business, but also between lines of business since you are a composite insurer. And the example that I will use here is about Hong Kong. So as I am sure you know, in Hong Kong we have built a unique composite position. We are the largest P&C company in Hong Kong and the fifth largest in Life & Savings. And in Life & Savings with our one million customers, we have been one of the first to enter the cross-selling and upselling space with great success.

As you can see here, we now have close to 40% of our customers in Hong Kong having more than one AXA product. However, despite that success, that result can be improved, but also we are still nowhere in terms of cross-selling between lines of business. And indeed, the majority of our customers don't have both the P&C and the Life & Savings AXA product, leaving us massive opportunity for cross-selling. And the question you could ask me is, how are we going to leverage this opportunities? We will do it notably by working with the Data Innovation Lab, with the AXA lab with the objective to create propensity models, generate fees (01:02:09) and distribute them amongst our agents.

What does that mean for Asia, for activities in Asia? You should know that today, only 20% of our 20 million customers have more than one AXA product. And so clearly here we want to leverage the Hong Kong example and we want to make sure that by 2020 at least 50% of our customers will have more than one AXA product. Fast enabler to grow our earnings faster than the market; it's about improving our product mix in both Life & Savings and in P&C. And here the objective is to become less correlated with the interest rate, but also to be able to better focus on specific profit pools. And the example that I will use here is Thailand.

In Thailand, you should know that today the market is dominated by short-term saving plans. They represent roughly 60% of the new business, and it's possible today to find in Thailand guaranteed rate of up to 3%, while the 10-year government bond is around 2%. And so clearly, for our activities in Asia, we have very early realized that it was not sustainable. And so very quickly in the past years, we have drastically improve our product mix and drastically reduce the weight of our short-term saving plans, moving them from roughly 60% of our new sales to now 26%. And so by doing that now, operations in Thailand are much less correlated with the interest rate, but are also more profitable, since in the past years, we have increased our NBV margin by 9 points.

Practically, what does that mean for our activities in Asia? So as I told you, objective clearly is to improve the product mix in Life & Savings and P&C. For Life & Savings, it means that by 2020, our objective is to make sure that at least two-third of our APE will be generated by Unit-Linked, Protection and Health and Protection with Savings.

In P&C, our objective is to increase about fourfold the volumes of our lifestyle products; travel, PA, household, since these products for us have on average a combined ratio of around 80%.

So, what I have presented here – what you have seen here, now you know how we are going to reach our €900 million earnings by 2020 and how we are going to increase earnings by 10% to 12% on a yearly basis. However, this is just the beginning of a story. Indeed, our objective by 2030 is to be able to reach at least 100 million customers. And also as a reminder, these indicators are for AXA Asia only; so ex-Japan and ex-Korea.

So what you have to keep in mind of this presentation are the three elements I mentioned to you. We have built in Asia, leading, diversified, and profitable positions. You have very strong fundamentals in Asia (01:05:30) the natural market growth of the market. But on top of that AXA will grow faster than our competitors by focusing on specific growth enablers.

And last but not least, as a conclusion, the contribution of Asia to the group earnings will become even more important tomorrow than it is today. So this actually concludes the first part of our presentation on our focused strategy.

And now, I would like to hand over to Thomas for the Q&A session. Thank you.

Q&A

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you Jean-Louis – thank you Jean-Louis. We are now coming to the first Q&A session. You have heard three presentations on growth; capital light savings, Asia, and commercial line. I'm joined in the Q&A session by Jean-Louis, Gaëlle and Paul. We would like to focus the questions on only this part. I know you are interested in the financial section, but that will come later. So whoever would like to start is welcome to start. We start here.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Bit of a cheeky question, but the – if Asia is such a big part of the earnings growth, so the earnings growth of the group I guess is about, somewhere around $1 billion and Asia – not a $1 billion, it's about $600 million and Asia is about $400 million or something, it's about two-thirds of your earnings growth over the five years. Why don't you just split Asia from the rest of AXA? Is there any – what are the synergies between the two parts of the group?

A - Thomas Buberl {BIO 16182457 <GO>}

Jean-Louis.

A - Jean-Louis Laurent Josi {BIO 16032698 <GO>}

Look, I do believe the decision that has been made by Thomas which is to keep AXA at a region, we have be move – and the region (01:07:17) is I believe part of the answer to your question. So we do believe that the potential in Asia is still massive. And by keeping the region we have now will allow us to grow faster than our competitors; will allow us also to build transversal, notably IT systems; will allow us to better cascade the expertise and the technical know-how we have in the Group in the region.

A - Thomas Buberl {BIO 16182457 <GO>}

There was a second question at that table. It's...

Q - Nick Holmes {BIO 21515144 <GO>}

Nick Holmes of Soc Gén. Another – two questions, first one on Asia yet again. Jean-Louis, you wondered – could you explain more about the assumptions behind the 100 million customers? I mean that's very, very big number. I know it's 2030, but interested in your assumptions. Then question for Paul, wondered – you were talking about general accounts and capital light. What scope is the full conversion of the back book, the general account back book to capital light products? Thank you.

Operator

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

...to take the natural market share of AXA. And currently, the market share – the Group market share is around 2.8% worldwide. We have taken that market share and applied to the addressable market by 2030 in Asia and it is how you reach $100 million. And as I said, it's a minimum, because as you have seen today, we have already 20 million customers. We also want to access 35 million customers by 2020 in the emerging customer segment, so we really do believe that that's a feasible target by 2030.

A - Thomas Buberl {BIO 16182457 <GO>}

Paul?

A - Paul Evans {BIO 20793138 <GO>}

So Nick, I think that what – partly your question will be answered during Matthieu and Todd's session later on in Inforce. But I think there is a very good opportunity to look at the portfolio of customers at Inforce book and understand whether the products we that sold them some years ago still meet their needs. Now, if you look at some of the guarantees in those products they are valuable, but only valuable to a customer who needs liquidity, only valuable to a customer who needs greater opportunity for upside. And that full review that we go through portfolio-by-portfolio, but I'll leave Matthieu to tell us the little bit later on.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you, Nick. The middle table here.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Thank you. So, Jon Hocking from Morgan Stanley. Two questions please. In Paul's presentation you talked about selling sort of capital light hybrid products and doing that through proprietary distribution. Do you think you're able to do that in markets where you don't have proprietary distribution. I know the margin – that makes it different (01:10:06) if that's the case. And then secondly just a high level question. Thomas, you mentioned that the old assumption that EM is growth and DM is not growth is not true anymore. Where do you think the group sits now in terms of the mix between EM and DM? So if you see over the last five years it's been selected divestments from DM and a reinvestment in EM. Is that process now complete? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Paul, why don't you start?

A - Paul Evans {BIO 20793138 <GO>}

So, can we sell capital light to non-proprietary channels? The answer to that question is, yes, that in fact during one of Nick's illustrations he demonstrated how we used the stories to be built for our proprietary agencies to distribute the same story, same proposition, the same tools, the same value proposition to our non-proprietary but are line (01:10:48) distribution networks. It's certainly the case in the U.S., but the case in other markets too. There you are competing obviously somewhat differently; you are competing as other life insurers, other competitors. But I think that what we've demonstrated is that by focusing first on our own proprietary agents, we have built up proposition, tools, storyboard (01:11:09), which then allow us to get out into the wider market. So, the answer to your question is yes.

A - Thomas Buberl {BIO 16182457 <GO>}

So, Nick, on the second one, I think there is two elements. The first one is, how do you build a good base in emerging markets? And AXA – Ambition AXA was about exactly that: How can we reinvest profits from mature market into emerging markets to build a good base. And I think Jean-Louis has perfectly shown that for Asia, we have invested, we have now a base where we can really leverage that base for growth. So that was exactly what we've done and what we should have done.

However, what we have seen in that phase is that the dynamics of markets are very different. And that is not always true that mature markets grow less than emerging markets, the reason being that one has to look behind the market view into the business view. You could well have businesses in mature markets that are growing and businesses in emerging markets that are not growing. And we have now further developed our view into a business view and you've seen the elements of it this morning, commercial life (01:12:14) and in Asia the same logic applies to really say, where can we grow selectively, always along the principle, what we have done well in one market, in one large market, how can we copy it into other markets in order to have the same success.

Q - Oliver George Nigel Steel {BIO 6068696 <GO>}

Oliver Steel at Deutsche Bank. It's a question for Gaëlle. You gave us a few examples – or indeed, one example each of the SME and mid-market opportunities, but you didn't really talk about where you could take those examples. So I wonder if, on both of those you could talk a little bit more about where the opportunities are in other countries where you are not doing this already. And then the second question is on the DOL. Paul – okay, I don't know, you ask Paul – but you talked about extra costs involved as a result of the DOL. So just wondering if you wanted to quantify the extra costs.

A - Thomas Buberl {BIO 16182457 <GO>}

So I would suggest that we take – give the first question to Amanda because she has really done it in the UK and has been responsible for SME and can show you how it can be exported. And the second one – the second one we give to Nick, because he is the expert on DOL.

A - Oliver George Nigel Steel {BIO 6068696 <GO>}

So I think as far as the examples are concerned, on the – one of the slides actually show the country, so where we have strong positions. Like in Germany for example, we have a very strong mid-market position. We can take SME into Germany; we can do the same thing in Italy. We already have very strong SME positions in France, in Belgium and in the UK. And we can use a differentiated position to make sure that we protect our positions going forward. We have very, very good growth projections or plans in Asia, in China, in Mexico for the new markets.

So I think that we have – we are able to take all the examples that we showed you earlier and take them into the various different entities. So hopefully that answers the question.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks Amanda. Let's go to Nick on the DOL.

A - Nick Lane {BIO 16392572 <GO>}

Great, thank you. I speak under André's purview, but for the DOL rules, when you think about it, you have to think about the impact on the rule and what I'd call the manufacturing domain, those people that manufacture our products and then in the distribution domain and those people that distribute either (01:14:34). So the initial cost goes in the distribution domain because you actually have to develop processes and systems to comply with the best-interest contract and administer it. Going forward, there would be some subset in (01:14:49) what I would call regulatory risk that didn't exist before given the enhanced regulatory requirements. And then the second order cost that we talked about is the impact on the ability to sell the products, and that was our guidance in terms of the decline in sales themselves. So we think about the near-term investment one-time of developing new systems, and then the ongoing sustainability of the market.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Nick. We stay at the same table. I think it's Blair Stewart.

Q - Blair Stewart {BIO 4191309 <GO>}

Yeah. Thanks very much. It's Blair Stewart from BoA. A question on the saving side for Paul; you ended up with a 3% to 5% NBV CAGR number. Firstly, is that aggressive enough? And secondly, how does that break down between topline and margin? I think your base case economic assumption is that rates gradually improve, so one would expect there to be a little bit of margin improvement, but maybe can you provide a little bit color on that.

And second question is as far as NBV, do you have any expectations about the level of cash flows that will come out over that part of the business over the next few years? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Blair. This is a very financial question. Paul, give a high level view and we will come back into Gérald's part when it comes on the details of margin and cash flow. Paul?

A - Paul Evans {BIO 20793138 <GO>}

Yeah. So I'll leave the cash flow to Gérald later on. But in terms of the savings portfolio, we're actually – we'll keep, as I said, we'll keep the mix as it is in 2015. We expect the margin to remain pretty much as it is in 2015. There'd be ups and downs according to market. There'd be some narrowing of margin and Unit-Linked, I'd expect with increased transparency, but that should be offset with cost reductions that we have in our plan.

So in answer to your question, the 3% to 5%, one, is it aggressive enough? Well, as the target owner; yes it is. Secondly, in terms of (01:16:45) topline, the APE growth are expected to grow broadly at the same level as the NBV outlook.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you. There's a question.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Good morning. It's Andrew Crean of Autonomous. I want to come back to the DOL forecast, because I think the industry association in U.S. is forecasted at central point a 40% fall in U.S. variable annuity sales out to 2017. So if you're falling by 10%, it means your market share is going to grow by 50%. Is that really credible?

And then, secondly, I can see that over the next few years you'd like to sell lots of Unit-Linked because it's capital-light, but what evidence do you have that your customers are actually happy and prepared to take on the investment risk? And what does it imply in terms of net sales over the next five years?

A - Thomas Buberl {BIO 16182457 <GO>}

So thank you very much. Nick, would you like to answer the question on DOL? And then, Paul, you do the Unit-Linked question.

A - Nick Lane {BIO 16392572 <GO>}

Sure. I mean, I would start saying the DOL's new regulation is dynamic. As you mentioned the industry associations are challenging in court seeking judicial clarity and whether the DOL actually has the right to impose the rule.

From an industry standpoint, I don't know if there's an industry consensus, I know there has been a number of ranges. We do think we can outperform in the new environment and that would be based on a function of two things: one, we have strong propriety distribution and 600 aligned third party partners, so we think we have the ability to take our products and stories; and then, second would be the product line up that we have that we diversified over the last, I guess, five years to serve new markets.

So we do think we're in a position to outperform. I think there is a whole range of estimates in terms of what the impact on the market will be. The rule itself doesn't go into effect until 2017. So I think as we get closer, you'll actually see people get a better view in terms of what the impact on the market maybe itself.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Nick. Paul?

A - Paul Evans {BIO 20793138 <GO>}

So are our customers ready? Well, I showed you the mix of sales in 2015, which demonstrates that only 5% of our sales are now in what we call the traditional capital-intensive general account products. So I think that indicates that our customers have and are being (01:19:29) already.

If you comment on to the illustration that Nick gave in France, which has been a firstly general account orientated market, their sales are 40% Unit-Linked, which is double the level of the market. So why our customers ready? Our customers are ready because we have educated and trained our proprietary advisors to go out with a very clear story, a very clear advise process that helps our customers understand the opportunity of the upside of capital-light and of the advantage that will bring over the long-term for their return expectations. So I think the numbers in 2015 already demonstrate that our customers are, yes, ready for Unit-Linked than capital-light.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you, Paul. Additional questions? There's one.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

(01:20:22) one of the earlier questions about net flows, but what's the assumption about the growth of the assets under management, what I call assets under management, to the total savings you administer behind all these forecasts? Is it also 3% or 5% number? Is it more like 1% or 2%?

A - Paul Evans {BIO 20793138 <GO>}

Yeah, I forgot the second part of the last question. I apologize. But that said, I was going to surge (01:20:42) anyway to Gérald sessions. So I think Gérald will do with that question and indeed with the earlier one about the net flows if we can.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Thank you. So Jon Hocking, Morgan Stanley again. In Asia, in the presentation you mentioned sort of cross-sell working as a compensate. You haven't mentioned that for the rest of the business yet. So what are opportunities to cross-sell across the Group? And in particular, what are the commonalities between the P&C business and the Protection business (01:21:16) are quite similar to the economics as an opportunity to look at that across the products (01:21:19). Thank you.

A - Paul Evans {BIO 20793138 <GO>}

If you can wait half an hour, after the break we'll exactly deal with that issue, because we look at the retail business, the future of retail and cross-selling, up-selling will be one part of that topic. But, Gaëlle (01:21:36), maybe for Asia. You have mentioned it for Hong Kong. Maybe give some concrete color around it what it means to Hong Kong?

A - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

But to your point, as I have mentioned, first, when you see Hong Kong, in one line of business, the Life & Savings, as you can see here, we have 38% of the people having more than one AXA product. When you see our ability to cross-sell and up-sell between line of businesses, between P&C and Life & Savings, as you can see, we have only 2% of our customers having both life and non-life products. All right.

So for us it will be the first time that we're going to focus on these opportunities. We do believe it's a massive one. It's an opportunity that will differentiate our customer from our competitors, because as I did mentioned majority of them are focused on the one line of business with both. So it's a great opportunity not only to increase the stickiness of our customers, but also to increase the profitability of our operations with the existing customers we have.

A - Thomas Buberl {BIO 16182457 <GO>}

Additional questions? Yes, one more.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

In all these numbers, I don't want to ask a number of questions too much, because I'll be getting such later. But, Denis (01:22:46), in all these numbers, you said lots of business models and assumptions and things. And how much redundancy have you built in your assumptions? Which one of these could you miss and still achieve your targets?

A - Thomas Buberl {BIO 16182457 <GO>}

So maybe each of you give an answer for their own business. Paul, do you want to start?

A - Paul Evans {BIO 20793138 <GO>}

I'm blanked on named first (01:23:11), but I will. So, look, if we look at the areas of growth in mature markets, then we would be more dependent on growth in France, U.S. and Japan. That's where our margins are highest and our growth expectations are greatest. And there, you could see from the illustrations that Nick gave earlier, the substance of the delivery of what we achieved in those markets. So we are confident because those illustrations will be used and we're less reliant upon the growth in Germany and Switzerland and in other markets in the world.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Paul, again.

A - Gaëlle Olivier

So on the P&C side, what I've tried to emphasize is really the geographic and business diversification because we believe that it's the key asset for us to offset shocks, which will happen in some of the countries over the next two years (01:24:03) of the plan. So if I look at the commercial lines business, we are more or less for the (01:24:09) immature and that's what Amanda highlight.

Mature being France, UK, Switzerland, Germany, Italy, Spain, notably, and when serving the high growth markets. If I look at the personal lines, we are roughly 50% mature, 20% high growth and 30%, the Direct business.

A - Thomas Buberl {BIO 16182457 <GO>}

Jean-Louis (01:24:40)?

A - Jean-Louis Laurent Josi {BIO 16032698 <GO>}

Yeah, and I knew we're really calling a different way what Natalie Gecewicz (01:24:41) said. When you see, I would say, our strengths versus many of our competitors, and I will repeat the fact that first we are a composite insurer, which will help us to absorb potential shocks. The P&C business is for us a business that we obviously much less correlate to the evolution of the interest rate. So that is certainly one element. We are well diversified in terms of geographies. You have seen it. We are active in eight countries. We are well diversified in terms of our distribution channels.

You see when you focus on certain of our competitors, they are very good in certain distribution channels. We are very good in several distribution channels. If you take as a whole and so we take an average, agents represent roughly for us 40% to 45% of our distribution. You take bank assurance, it's 30% for Life & Savings to 20% for P&C. And then, you have the broker business between 20% to 30% if you were in the Life & Savings on the P&C side. And then, you start seeing what we call the alternative channels emerging with direct digital offering and so on. So I would say this is certainly another element for which diversification will help us.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Louis. Additional questions? Doug (01:26:06), next to you.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

In past, you had a growth target of earnings of, I think, 15%. So I'm just wondering, by 2020, what proportion of your earnings do you think will come from growth markets, or do you not really make that differentiation now? So effectively is that kind of odd (01:26:28) growth?

A - Thomas Buberl {BIO 16182457 <GO>}

So can we keep this question for Gérald to start as he will make the differentiation.

Q - Nick Holmes {BIO 21515144 <GO>}

Nick Holmes, Soc Gén again. Question for Gaëlle this time. The U.S. is conspicuously absent from your commercial portfolio. Is that a concern? Is that an opportunity for expansion or thoughts on the U.S. in commercial global platform?

A - Gaëlle Olivier

Okay. So it's clearly an opportunity. We are looking into each. We don't see that the solution is only acquisition. It can be partnership. And by the way, early April you may have seen, we have communicated with Hartford (01:27:13) joint partnership, develop commercial lines together in the U.S. market.

For us it's a key opportunity, because last part of what we have shown on SME and mid goes into the international business. And when you see where (01:27:29) SME and mid-market companies are developing. Part of it is Europe, part of it is Asia, but part of it also is the U.S. So we believe that with the partnership as one we are doing with Hartford (01:27:40), we have the opportunity to provide U.S. solutions to those SME and mid-market players absolutely.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you. One last question maybe before the break. (01:27:56).

Q - Nicolas Mora {BIO 5523743 <GO>}

Nicolas from Exane BNP Paribas. My question is on your view on the Insurance Distribution Directive. I know it's been three years' time, but still during your plan. Do you see this as pure cosmetics or do you actually see it as a cost and a real burden? And thoughts on it, especially on the life side, I would say, and given the implication you may have for pushing into products with less guarantees? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Paul, do you want to take that question since it's life related?

A - Paul Evans {BIO 20793138 <GO>}

Yeah. So it's certainly true that across Europe we will face a number of additional regulations over the coming years (01:28:39). But fundamentally, these are very aligned with how AXA would choose to do business. We would always choose to be transparent with our customers. We would always choose to give our customers great advice. So fundamentally what I expect – the burden of regulation to increase. I don't think it should skew us between one product and other. It should drive us to deliver the right outcome for our customers.

What it does mean is that particularly for our propriety agency, we have to have a more control advice process so that we can be certain that every individual advisor always gives the best advice according to the process. So you will see us invest in advice tools, advice capabilities just as we have, for example, in France, to ensure that we are complying with those standards. But I don't see those standards are themselves either knocking us of course or causing us to change our business mix. It just requires us to invest harder in the advice process and to be much more transparent with our customers.

Thank you, Paul. We are coming to the end of the first Q&A session. Thank you very much for your questions. We are now having a break of half-an-hour. And we'll reconvene here at 10 o'clock sharp to go to the next piece, which is around Transform. Thank you very much.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

So thank you. I hope you enjoyed the break. And after having gone through some of the examples of the selected growth, we're now going to enter into – take a break from Focus. We'll be back on Focus, and we'll enter into the Transform part, which is more about explaining you some of the examples about as I mentioned earlier, and as Thomas mentioned, how we will transform the business model of the Group going forward.

And there are three ways we're going to do that. One is on future retail and Véronique and others are going to explain to you some of the assets we already have in the Group towards how we see the future of retail. Then we're going to talk about Health and Health is an interesting one, because Health is a great example of payer to partner. And so, it's a very good way for us to illustrate what we mean by that. And remember that's a business that Thomas has been in-charge of for a few years.

The second thing is Health is also something we could have put in the growth path and we'll share that with you as well, because that's a growth source for the Group going forward, and it's going to be interesting for you to see us as we split out the Health business today and in the future in terms of how we report our numbers.

And then thirdly, of course, adapting capabilities and Karima is going to come and speak to us about the workforce evaluation. So that's the transform part.

And without any further ado, I'm going to hand it over to Véronique and her team.

[Music] (01:31:36-01:31:52)

Véronique Weill

Good morning. I'm Véronique Weill, the Chief Customer Officer of the Group and together with my partners, Xavier, Antoine and Jérôme we would present you our strategy to unlock the growth of our retail business. What we want to do is three things. This strategy would be based on three pillars. First one is enlarge our customer reach. Second is increase our share in our customers' wallets, thanks to targeted product and services. And three, we want to transform our customer interaction to improve our customer satisfaction.

And what we can say is the following. We know that we want to grow the retail business because the retail business is very important for us and I'm going to tell you why. What we have right now in term of retail business is three numbers. First one is we have 60 million of customers who are part of that retail client base. Second is we have two-third of our revenues were generated from this business. And three, we have only 1.7 contracted (01:33:09) customers. And we believe that to grow our earnings we have fabulous capabilities and we have fabulous opportunities.

Customer has an average four contracts (01:33:18). Let's look at the opportunity that this one represents if you were able to regroup all these insurance contracts with us. This is what we have to do. We have to seize these massive opportunities. At the same time, we know that there is a changing world out there. Digital and data have commoditized our products. And Thomas said it very clearly in his introduction, the gas price of this world have (01:33:46) leveraged this technology and have changed profoundly the customers' expectations.

Customers want simple, transparent and relevant products. And this trend is even more accelerated by the regulators. They want the same thing. They want simplicity, transparency and personalization. And what we can say is that there is a shift in the bargaining power. Customers are changing (01:34:19). Traditionally we were able to choose our customers. Traditionally insurance company had the upper end. But what traditionally is happening is no more true today. You've seen that on this slide, customers are keeping the business. They choose us. They look at an aggregator to compare product and services and select their insurers not only on brand, but also on price and now their social community. We need to proactively increase the number of touch points to reach out to the customers and increase interaction. Customers are definitely shaping the business and this is this opportunity that together during the next 20 minutes we are going to cover.

You may wonder why an incumbent like us could really tackle this challenging environment and if we should invest in a retail. Our answer is crystal clear. We are and we will. So together with my partners, I want to tell you that today transformation is already underway. You have heard Thomas this morning speaking about the change of the customers' expectations, that they would explain how we are dealing with these customers who are searching online, buying offline, and how we're bundling these two words with two example in Spain and in France. Antoine would show you how we have developed in AXA France, a 360 customer view which provides a unified view of the customers.

You heard it before. We want to move from payer to partners. Jérôme with the new company called AXA partner will explain how we go beyond traditional insurance product. And last but not least, I would be very happy to unveil our new global commitments that we have with our customers to see how we are delivering these day-in and day-out.

Now Xavier, floor is yours.

Xavier Veyry {BIO 19118322 <GO>}

Thank you very much, Véronique. I am Xavier Veyry. I am the CEO of AXA Global Direct. And in the next few minutes, I am going to show you how we can leverage direct capability to transform our traditional business.

But to start with, I would like to refresh the fact that we have a very strong franchise indirect (01:36:49) at the AXA Group. Over the last few years, since 2009, we have systematically over-performed the market by an average of five points. In the meantime, we decreased our combined ratio by 6.5%, reaching a higher level of profitability and this has been achieved whilst improving our customer satisfaction.

And in 2015, direct originated business represent already 63% of the total retail new business of the Group. But this did not happen by chance. This happened because we have systematically deployed the strategic framework, a strategic framework, which is based on five pillars. The first one is about pricing sophistication. To give you an example, a few years ago, we were using an average of 30 variables to 50 variables to make a tariff. Now in 2016, we reached up to 500 different variables to make a tariff.

So second element of our strategy is about claims management. We've tied and saved claims management. We are systematically deploying our strategy of better orientation, but also fraud detections and this allows us to improve our loss ratio, but also to improve our customer satisfaction and in recent period, we improved it by seven points.

The third element of the strategy is about low cost models, which is sustained by data-driven low cost model. So I'm going to use again here an example. We recalled and we analyzed all the conversation that happened in our contact centers through a speech analytics tool that's allows us to improve all our interactions with our customers, improving our retention rate, improving our conversion rates.

The fourth element is about product simplification. We need to have simple products, easy to manage, easy to sell, easy to renew. Here an example about Korea. Today, we use social networks and on those social networks, we have 500,000 of our customers, which are interacting with us, and we generate over 100,000 customer interactions and policy endorsements every month.

The fifth element is about entrepreneurship and culture. At AXA Global Direct, every manager act as if an investment was performed through their own money. This makes a big difference, because we focus on what we believe makes a difference. Now, when we apply those five elements to our traditional entities, this can also help us accelerated growth. And I will show you two examples.

To start with AXA Spain. A year ago we decided with AXA Spain to join forces (01:39:36) in order to operate the AXA brand on the digital world. Practically that mean that today, whenever a customer sees an AXA brand on the digital world, define this product, if the AXA Global Direct Spain sophistication, rise in sophistication, client sophistication, low cost data driven model. And this basically over the last year has allowed us to multiply by five the number of fleets generated, but more importantly by multiplying by 10, the number of new business we have been able to sell in Spain through the digital channel. And this has been performed, but through the leverage of our pricing sophistication and marketing sophistication, we have also managed to decrease our loss ratio of new business by 15 points. All this has been achieved as an incremental growth to our global business in Spain.

If we now look at AXA France, AXA France in 2015 has generated over 400,000 different new contacts through the Internet. This represents 22% of the new customers, which are joining AXA France today. Those in figures are increasing by 15% in 2016. So those 22% of web-originated customers can finalize their product either on the face-to-face relation, through the phone or online.

So as you can see, when we do deploy direct capabilities on the web, we can certainly leverage and we can certainly help our traditional businesses accelerate their growth. Thank you.

Véronique Weill

Thank you very much, Xavier. So this first example is about transforming our retail business, but leveraging (01:41:39) capabilities. The capabilities are as a trigger for retail transformation. The second example that Antoine is going to give you is an illustration on how we have invested in technology and in data and we are already seeing the benefits.

Antoine, floor is yours.

Antoine Denoix

Thank you, Veronique. My name is Antoine Denoix. I'm the Chief Digital and Data Officer for AXA France. (01:42:11) generation meaning that it was born in this world. In 2009, I started my own company called (01:42:19) specialized in digital data. Life was great. My business was really successful, but I wanted to go to another scale. I wanted to tackle this real world.

What could be better than AXA and its 7 million retailed customers. What did I discover after joining AXA? I discovered this (01:42:43) model. It is a triangle. You add the customer at the center and once (01:42:49) the call centers and a newcomer to digital. In terms of data each stakeholder can see only a part of the complete picture. For example, agents do not know what the customers are doing online. (01:43:09) target is to become a learning organization offset with customer data. There were two stages before achieving this target.

Stage one, the building of a 360 degree customer view. Trust me. It's certainly critical. It took us six months business (01:43:24) and a major financial investment. We have already integrated 80% of useful data. Stage two, the decision and expectation of data for business.

Everything I told you so far was quite abstract investor meet (01:43:43). To be honest I'm not really excited by concepts. Now I'm going to show you what the old quality means for a specific customer named Brian. Do you want to know more about the life of Brian? Brain (01:43:49) is 35 years old. He lives in Britain. He has been an AXA customer for 10 years and he has submitted a claim for his household insurance contract. Above all, he's going to become a father soon, and he will need a bigger car, as you can imagine. When (01:44:16) to look for a new car, he's really focused on his research. He didn't even notice this generic AXA banner. Did you, by the way?

Brian (01:44:30) is also easily annoyed. He detests intrusive and evasive banners. Who likes seeing the same ads for weeks after visiting a retailer's website? Nobody. At AXA, we wanted not intrusive banners, but relevant banners. We took into account not only digital signals, but offline data, for example, claims and contracts information. The challenge was huge. To put it simply, we wanted to be able to recognize Brian online. So what have we done? Coming back to Brian, when he received an email for AXA regarding the status of his claim, he explicitly agreed to receive a cookie because it's useful for him and because he trusts AXA.

The cookie is not a biscuit, as you may know. It's a digital ID that allows us to do in real time the matching between digital navigation and AXA databases. Finally, when Brian goes on caradisiac.com to look for a car, he will see these highly personalized banners. This banner includes the type of car he was looking for a few minutes ago on the website, maybe a Renault, maybe a Fiat, no matter the car he will need a new seat for the baby. The banner also includes a link to contact Paul Paoletti, his usual agent in Britain.

Now, let's go to the other side of the wall. Let's look at what Paul sees when Brian calls him. No, not that one, it's the wrong slide. It's what it used to be. The new one. Paul receives direct benefit from the 360 degree customer view.

First, you will see that Brian is digitalized like 150,000 other customers in France, has downloaded and activated MyAXA, the mobile application used to submit the claim last week. Brian's claim was settled after mobile video conference with an AXA claim manager in Morocco (01:46:30) only two days later. And finally Paul is elected through this booking that Brian is going to change his vehicle. It may be the right time for him to promote a car insurance contract. At the end of the day, Brian is a happy man now. He has a new baby and one extra sticker on his car. He is a satisfied customer and he tells us so through one click through a beautiful mobile application.

AXA was the first company in Europe to use offline data for online customization through Google Tools. In terms of digital marketing, these are the benefits we achieve. We are able to improve the clicks rate of our banners by 35% and more globally in 2016 with the same marketing budgets as last year. We are on track to improve the acquisition of new clients online by 20%. This cost effectiveness allows us to develop this more disruptive innovation and at the same time to transform the way we do business.

To conclude, when I left my startup three years ago, people around me told me I was a bit crazy. Today, I have no regrets at all. We're going to (01:47:50) the 360 customer view across all mature countries by the end of next year. Thank you.

Véronique Weill

Thank you very much, Antoine. I think that what you see there is our ability to invest in digital and in data.

So, as you can see, Brian is happy. He has a new car but Brian wants more. He wants more services beyond traditional product and Jérôme will show us how AXA Partners is delivering additional services and reaching out to new customers.

Jérôme Droesch

Thank you, Véronique. My name is Jérôme Droesch. I'm the CEO of AXA Partners, a new worldwide entity created by the group, with three main mission. The first one is to design and rollout innovative offers to our customers. The second one is to combine insurance and services coming from our innovative entities like (01:48:37) but also from our partners, in order to enlarge our range of offers.

And the third one is to leverage those new offers, in order to increase the number of policy per customer, but also to attract new customer through third-party distribution. Obviously, we'll take time to build all those new things, but we wanted to share with you what we are building today to create those new services.

Let me start first, with the true story of Helena (01:49:09), one of our customer using the BlaBlaCar one of our partner. Last summer, she had to go back urgently from London to Sofia to reach her father who was ill. She decided to book a ride on BlaBlaCar. It's the easiest way to go there or at least it should have been the easiest one.

Unfortunately, unexpected events always arrived at the worst moment. The car hit a rock in the middle of the trip in Belgium. Nearly two weeks to repair the car, it was for sure too long for her to wait. She was desperate when calling our platform.

First, we found an hotel for her and then, we found a flight to reach Sofia and a replacement car for the driver. She was just, so happy. That's just an example of the real stories provided within each click on the internet.

Today, 25 million customers are using BlaBlaCar in various country and they do expect to be well protected whatever could happen. So, motor insurance will remain key for us, but it will never be enough anymore to satisfy our customer. We need to do more, we need to innovate with new services. Some of them being built internally and some of them being built thanks to partnership with innovative startups.

For instance, for all our motor insurance customer in Germany, they can now see in real-time the parking space available, thanks to a partnership with evopark. It is (01:50:45) and increased dramatically the number of interaction with us. So, we are definitely moving from motor insurance to ensuring mobility.

We can leverage those innovation to increase the number of partnerships and to accelerate our growth. Our traditional partners like HSBC or Daimler value our capacity to innovate and a worldwide presence. We can leverage our past investments in digital, big data and telematics to reinforce our current partnerships and also to attract new ones.

Everybody talks about the exponential growth of digital player, but we can also benefit from it just by partnering with them and selling our product within the offer. And we can even go one step further accessing huge database of customers.

With Suez we have launched water meter allowing us to detect leakage in real-time and avoid water damages. We have also started to sell bill protection to the customer of EDF, the French energy provider. For a very low monthly amount of premium that customer will not worry anymore on how to pay their bill in case of unemployment, disability or hospitalization and EDF is sure to be paid. Every single week, they sell more than 1,500 policies and we do more than €5 million of premium just with one product after the first year. Now just imagine one second, that we sell it to all utilities, telco, retailers not only in France, but all around the world, it will become massive.

If there is one thing to remember today, it is the huge potential of third-party distribution. According to market research, within the global insurance market worldwide it represents today less than 10%, but in 2030 it will be around 25% to 30%. What is our ambition? We want to create new solution for customers. It will give them more protection, more services and increase the average premium. It will also increase dramatically the number of interaction with us, reinforcing loyalty and retention. Being different and innovate will allow us to increase our distribution through partnership and we strongly believe that we can grow fast with our dedicated entity, AXA Partners.

Véronique Weill

Thank you very much, Jérôme. As you can see the future of retail is happening now and we've given you three example on how we leverage digital and data to address it. But our core business remains unchanged. We need to be there when our customers are needing us the most and to do that we are leveraging digital and data, but it's just a mean. It's a mean to do constantly what we are here for our customer, which means to protect and care about our customers. I'm very happy to announce today the five hallmarks that we will be rolling out across the globe. Five hallmarks for unique and global AXA experience. First, we want three commitments that we'll be rolling out and that we're rolling out as we speak across geographies, across our segments of customers. Second it would be valuable in the one mobile myAXA that Antoine referred to and three Amanda alluded to that, we want to make sure that our customers are publicly rating us.

Let's go back to the three commitments; when you have a claim or when you have something bad happening to you, like the flood in Europe of the last day, we want to make sure that you can go back to business and what we're doing is we're able to provide early solution or advance payments before the claim is processed. Second, Brian spoke about it. He wants to know where his claim is? He wants to know the status and this is valuable on a day-to-day basis. Third, sometimes you complain about the fact that insurance companies are not giving you the right information. With the next three steps, we're able to give you and tell you what happens in the next days or weeks and how you will be communicated to.

The three global commitments are valuable in one mobile application, which is called myAXA. MyAXA was born in France, but is now rolled out in all the countries. And what we want is we want to make sure that customers have AXA at their fingertip. We want to make sure that we're available 24x7 that we can look at these commitments, but that we can also monitor our saving plans or give additional contribution. The third part I think is even more interesting. We want to make sure that we're totally transparent vis-à-vis our customers and vis-à-vis our prospects. What does it mean? We're going to launch a new publicly rated services, which mean that if you as a customer have an interaction with us, you can rate us publicly. This would be available on our website and this will force us to constantly improve our customer satisfaction. We're really going social because we want to play that card. And last but not least, we have already launched it in (01:56:30), in the UK, in Germany and it's in pilot in France. So, we're used to say internally that we're very happy to be the first insurance trip advisor.

We want to do that for two reasons; one is because we believe that our customers want to increase touch points. They want to make sure that in the new environments, we're able to reach out to them and we're able to continue to foster this trust environments that we want to exhibit. Now, we have had over the last months very good news about where AXA is.

You have seen investments, they're paying off. At the same time, we always want to look forward, we don't to be complacent. So, what we're doing now is really we want to make sure that we have ambitious targets. We've developed an ecosystem. We have invested in (01:57:26), which is our (01:57:27). We've invested in AXA Strategic Ventures to look at what the market is about. (01:57:35) the price of being the first global innovator in insurance. We are very proud of that, but we're not complacent. We know that at the end only customer satisfaction and customer feedback matters. So, what are we doing? Right now, we are 52% of our entities which have an NPS score, a Net Promoter Score at or above market average. This is where we are in 2015. We want to make sure that we have 100 of our entities are above market by 2020, first point.

Second point, you heard us this morning and I know that some of you have asked that question, are you going to able to cross-sell? Are you going to be able to retain? So, what we want to do is we're making the commitment that we will increase by 50% the number of contract per customer.

As a conclusion, let me convey this message. AXA is ready for the challenges. We don't see the retail transformation. We look at it we embrace it because you know we know that growth is going to come from there. At the same time, we want to make sure that we are enlarging our customer reach thanks to digital and data, that we increase our share of wallets by cross-sell, by retaining and cross-sell and up-sell our customers, thanks to targeted product and services. And three, we are already transforming interaction to improve customer satisfaction.

As you can see with my partner, we wanted to demonstrate that AXA is ready for the change, we are already transforming the retail business. For us the future is now. Thank you very much.

I will now thank my partners and ask Damien to come on stage to speak about Health.

Damien Vincent Marmion {BIO 16064239 <GO>}

Thank you, Véronique. Good morning, ladies and gentlemen. My name is Dr. Damien Marmion. I am the Head of Health for AXA. I've spent 25 years in healthcare, and the last 20 years in health insurance, working in emerging markets, but also developed markets around the world. I passionately believe that our most valuable asset actually is our health, and that is why AXA is particularly focused on health now.

It's a huge market around the world, and if you look at the worldwide spend on healthcare every year, it's €2.5 trillion. There are three things I want to concentrate on today in this presentation. The first thing is what is AXA doing in health. The second our ability to transform from a payer to a partner. And thirdly, our ambition.

But before go into that, let me just remind you of the four key drivers in healthcare that we focus on. First is health technology. There's a huge amount of investment that has gone into healthcare technology in the last 20 or so years. And that will continue in the future, but this is driving up, the ability to treat, and to cure, and to keep people alive for longer, driving up healthcare costs into the future.

The second key driver of healthcare is our disposable income. It's clear now that in emerged markets and developed markets, disposable income is – expenditure on healthcare has increased significantly, but in emerging markets as well, what we have is an increased out of pocket expenditure, and this is an opportunity for health insurance.

The third key driver is aging of population. By 2015, 20% of the European population will be over the age of 60. This is going to significantly drive up health expenditure due to chronic disease. And lastly, if you look at the GDP expenditure around the world from governments, it's now reached 10% of GDP, and is increasing at a continuing rate.

And as a result of this, some governments are looking at how they can get further access into private expenditure and to convince people to use private systems rather than a state/government systems for example in Hong Kong. This has driven us to look at three – to look at our strategy in a different way looking at how we can become a partner to our customers.

And with this, we've got a focus around 36 geographies, 36 geographies where AXA has capabilities in health insurance. With revenues of around about €12 billion, a 95% combined operating ratio, and 13 million customers. And the key thing is here how we can leverage our capabilities across those geographies to build further access to customers in new markets and emerging markets in the evolving and the opportunity areas.

Our strategy is based, as I earlier, on our transformation from payer to partner. This is built on the foundations we have in the health insurance basics around AXA' entities. We are shifting our emphasis to two key areas in our strategy, that the care coordination and well-being. I'm going to cover these two areas in a bit more detail and give you some examples like (02:03:17).

Firstly, let me focus on care coordination, I'm going to take you through a patient journey here and how we are looking at providing services and how we do provide services for our customers around orientation or in treatment choices they have, disease management for them, and also targeted management. Let me go into a couple of examples here just to bring this to life for you.

We do this for three reasons – care coordination for three reasons. The first is to provide better quality of care for our customers. The second is to provide a better customer service experience. And the third is to get better value for money.

In the first example, let me talk about our orientation in our UK business for our UK customers. And Richard (02:04:05) here is a 49-year-old customer, who has his health insurance through AXA, thanks to his employer. He is playing football at the weekend on a Saturday afternoon with his son. And he twists and injures his knee, he struggles on like a man would through the weekend and eventually Monday morning he gets to work and he thinks my knee is very sore. So he takes advantage of the telephone consultation service that AXA provides for his employer.

He phones up, he speaks to a healthcare professional, the healthcare professional helps him with a few questions, makes a presumptive diagnosis and then does a fast booking appointment for Richard to a physiotherapist.

The physiotherapist is able to treat him the same day, to be able to provide him with exercises and a recovery program. He is able to then return to work very quickly. We've done that for 70,000 customers over the last year in the UK and giving access to that integrated physiotherapy service has saved us £260 per customer.

Let me turn to the second example where we've got targeted management. And this is an example where in our German business we have, through predictive health analytics, been able to target 53,000 customers and from those customers we've been able to engage with them and specifically talk to our customers about some of the lifestyle choices they have and some of the history they have.

Emma (02:05:41) our customer in Germany was engaged with us. We talked to her about her lifestyle, and some of her risks and we were able to identify that she was in need of tests, like 3,200 of the other people that we had targeted. They went through some tests, 140 of those people were then treated for cancer. Emma, luckily wasn't one of those who needs a treatment for cancer, but this allowed us to be able to give our customers better access, faster access to treatments that was going to be able to cure them and given them a longer life.

Let me now turn to a couple of examples, where we have – turning from payer to partner in our well-being services. We developed two apps in-house within AXA. The first is, the one called Gateway for our corporate customers in the UK. This is integrated into the myAXA, which Véronique has just mentioned.

Richard (02:06:41), that customer in UK through the employer have access to this service, and he's able to do a health risk assessment online. That health risk assessment gave him a predicted health age, remember he's 49. But actually it turned out that he was 53 years on his health age.

So, we were able to engage with him through this app on his fitness, his lifestyle, his mindset, add back his nutrition to help with any future disease. He understood his health risks. He was then able to modify it for his weight, for his diet, get better sleep, and that allowed him to get return to work easier as a result – quicker as a result of the app, it reduced his health age over time.

In the second example, let me just touch on where we have it for our retail customers. In Spain, we developed the same app internally through Health Keeper and this allows customers to get – insured customers and non-insured customers to get access to a social media platform, where there they can integrate their social media as well as their recording tools such as Fitbits, et cetera, to be able to gather Fitpoints. These Fitpoints can be used to be able to buy services, engage with services through AXA. This allows us to better reach to a wider audience across Spanish business we have.

Turning thirdly to our ambition. Our ambition as I said, is to transform from a payer to a true health partner for our customers. We're doing that through leveraging our capabilities across our strongholds and using those to develop other countries and other business capabilities around the footprint we have across those 36 geographies.

This will allow us to continue our growth and to deliver a growth through to 2020 of between 3% and 5%. I'd just like to remind you of those three key takeaways from today. Healthcare is increasing, it's a important part of the society feature. And we in AXA, have got strong positions in a growing health economy. Our transformation from payer to partner is going to help us to get the stronger foothold in that and grow our access across our key geographies. Thank you.

And with that I'd like to introduce Karima, who's going to talk about adapting our capabilities.

Karima Silvent {BIO 19242190 <GO>}

Thank you, Damien. Good morning everyone. My name is Karima Silvent. Over the past years, I have been within Group HR, leading our initiatives on workforce and cultural transformation. Digital and multi-access, big data, changes in customer interactions. Since this morning, you've heard numerous examples on how we see the world changing, what we are doing to transform our business and accelerate growth. As we all know, human capital is a critical asset to succeed. As we will be transforming our business, we will need to reshape our workforce and back our employees and transform our skills too.

During the next minutes, my goal is to share with you how we have built an in-depth understanding of workforce evolution. And most importantly, what we'll be doing to reshape our workforce and transform our skills. The strategy that I will be sharing with you is about three core levers, upscaling, selective recruiting, fostering innovation for the customer.

I will start with sharing with you how we have built an in-depth understanding of workforce evolution. We just finished an analysis which we conducted, covering 12 of our operating companies and more than half of our workforce. This analysis was both quantitative and qualitative.

On the quantitative side, this was about checking the coherence between the evolution of our workforce and our business strategy. On the qualitative side, we manage skills gap assessment to measure the gaps in terms of skills between the current skills of our employees and what will be the required skills in 2020.

This means concretely that we have, for each category of job, as you can see here with the example of P&C pricing, precisely defined what will be the key activities to be performed into 2020, but also the key technical and behavioral skills. We managed these skills gap assessment covering high level 48,000 for our employees across the world. So what are the key findings of this analysis? I would like to share with you four key findings.

The first one, we have – we will face another reduction in workforce demand. The second one, we have more flexibility than expected to transform. The third one, we have room for selective recruiting across all geographies. The last one, 50% of our job will face high change in terms of required skill set.

I will come back very quickly to each and every of those findings. As I said, we will face another reduction in workforce demand, due to three core elements; automation, organizational changes, changes in our interactions with the customers as we saw this morning with online sales and self-servicing.

As you can see here on the value chain, the decrease in workforce demand is more pronounced where those three factors apply the most, here in sales, underwriting, back office claims, IT and support functions. On the contrary, workforce demand is increasing for marketing and big data.

Second finding, we have more flexibility than anticipated to transform. Our global attrition is 32% across the next five years. This high attrition rate is explained by our attrition rate in high growth market as many companies, but also by the fact that in our mature countries, the attrition rate is high, and especially in Europe, due to our age pyramids and acceleration in retirement.

On top of the natural attrition rate, we have signed, in some European countries pre-retirement agreement with our unions, which means that in reality our attrition rate is above 32%. This will give us flexibility to transform as we will not be replacing everywhere in the same way all those departures.

Third finding, we have room for selective recruiting across all geography. From now on to 2020, 25% of our employees will be newly recruited. This is a great opportunity to recruit new talents and embed new skills. At the same time of course, we will need to pay attention to how we secure knowledge transfer.

Our real recruitment rate maybe above 25%, as we will have to manage additional recruitment in high growth markets to foster our high growth market strategy as shared this morning by Jean-Louis notably.

The fourth finding is that 50% of our jobs will face high change in required skill-set. What you have in front of you is a very simplified version of our job analysis, where you can see across the value chain how we have pictured the impact in terms of skills change of all the trans-automation, digital, and data. What you see here, so we have removed some of the name of the job clusters. Job cluster is the name that we give to our job families. We have left some of them, in the boxes that you have highlighted in yellow.

In deep blue, you have the job families for which we consider that the intensity of change will be the highest. What is the key learning here that will have 50% of jobs which will surprise us but also it's really important that good jobs are located everywhere across the value chain.

So since we started, I have been sharing with you how we have been working to better understand the future of skills in our industry. But the future is now – and we have already started to work and transform the way our employees are working, integrating digital and big data to recruit a new talents and to train our employees.

I'd like to share with you a few concrete examples with the voices of our employees in this short video.

[Video presentation] (2:16:36-2:20:00)

So, you've just heard – they are the testimonials of our employees that change is already underway in the areas of sales, underwriting, actuarial, big data. This gives me the perfect transition to share with you what our action plan is about. And as I said in the introduction, our action plan is about three clear rules: upskilling, selective recruiting, fostering innovation for the customer.

Upskilling – what we mean by upskilling is to develop the skills of our employee to reach and to target the future skills, what will be more and more needed in the future. We'll be investing €143 million over the five coming years into upskilling which represents 23% of increase of our learning budget.

Selective recruiting is our second lever. We have been very successful those past years when recruiting, especially technology profiles, digital and data profiles, and I think that (02:21:10) this morning, gave us the testimony on how he joined AXA.

Myself, I have spent a lot of time and energy and with a lot of passion those past years as many of my colleagues recruiting and hunting for those profiles. And we were able to attract (2:21:28) in 2013, 700 digital and data experts. We will be accelerating this trend, recruiting those people from the technology space, but also key segments in-house or key experts to go and work in our high growth market.

The third lever is how we foster innovation for the customer. We have been very consistent across the organization in encouraging and rewarding innovation. And as mentioned this morning, you certainly saw that we were this year nominated by the BCG among the top 50 Most Innovative Companies in the World and the only insurer in this ranking.

What we are doing here, we are leveraging the AXA Life that we have in Shanghai and in San Francisco by leveraging the partnership that we have with the big Internet players or smaller start-ups. By leveraging the new organization structure (2:22:35) that we have mentioned this morning, partners (2:22:38) strategic ventures, we have opened doors to bring more innovation inside. On top of that, across the organization, we are accelerating the shift to more agile organizations to disseminate innovation across all our entities and across the teams.

To finish with, I would like to share with you three key takeaways I wish you keep in mind regarding our workforce strategy. The first one, we have flexibility to transform and reshape our workforce. The second one, we are investing to build today the required skills of tomorrow and we will have room for maneuver for selective recruiting and integrating new expertise. And the third one, our key initiative on culture are focused on fostering innovation for the customer.

With that, this concludes the Transform part. And I will hand over to Thomas for the Q&A.

Thomas Buberl {BIO 16182457 <GO>}

Thank you, Karima. So, we have now 15 minutes of Q&A and I would like to be accompanied by a couple of people; Véronique, Paul, George Stansfield, who is the Head of HR and Jacques de Peretti, who is our CEO of the French business.

Unverified Participant

So, we'll start with the middle table here again.

Q&A

Q - Jon M. Hocking {BIO 2163183 <GO>}

Jon Hocking, Morgan Stanley, two questions please. Firstly, how does AXA partners work with the rest of the group. So how does it sit on top, is it using sort of product sets and around the group? That's first question.

Then second question, you mentioned that the MyAXA App has been rolled out globally, what product sets are available and what countries and what is...

Operator

A - Véronique Weill

Your first question on partners, when we decided to build partners, it was not to create an extra layer, it was to be able to have one face to the market and make sure that our partners, our current (2:25:00) manufacturers, our energy companies have one point of entry. So we are definitely relying on the technology and on the sales force in the various entities, and we are really working concretely and collectively to achieve that goal. We are also working with AXA Global Direct in order to leverage the technology.

So, one thing to summarize, no additional cost, but twitching different functions and making sure that we have one sale to the market. That's for your first question.

The second question is MyAXA. So what we've is, we would be ruling out in – as a first step between September and I would say the end of the year in 15 countries, which represent 85% of the earnings. And as you can see, we've spoken about the commitments, so the claim factors, the next steps, the ability to follow-up on the claim, follow-up on cash reimbursement, that would be valuable for MyAXA and also in the savings, we are able to look at the performance and give additional contribution.

And among the years what we would do is, we'll continue to enrich – I think we've the core capabilities available, but for (2:26:15) for connected device we targeted, marketing would be able to continue to roll it out.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Thank you Véronique. I go to this table.

Good morning. (2:26:30) one question maybe for you and for Véronique. As it is very illustrative Investor Day, could you give us the way you think as you mentioned in an interview, you could work with for instance, Apple, Amazon and you mentioned in the interview what you didn't want to be only, I would say hidden partner, just lending your balance sheet, but you wanted to be something more in the new way of targeting clients with new partner. Can you give, just elaborate a little bit how you see things in the future, in this transformation of distribution. Thank you.

Yes and I come back to the first question on AXA Partners because that is exactly where we have created AXA Partners. Traditionally, if you look the insurance business model, it has always been built on how can I do it myself. We see now that the expertise going forward is very special and that we need to partner with other people. And we love to partner obviously with global firms because we are also global firm and therefore AXA Partners is extremely important to have that interlink on a global level.

We see that obviously many of other companies, if you take the GAFA's Véronique was saying, are thinking about insurance, our thinking about how can we also get closer to insurance. And that is for us, on the one hand the question are these GAFA's the competitors of tomorrow or these not the partners of today. And I personally would like to win and work with them as partners of today. And to give you a concrete example, one of the GAFA's is very, very dominant in thinking how can we invest in health, how can be build as an ecosystem to reduce the cost of chronic diseases, take diabetes for example. Today, if you look all the machinery and the medicine you need for it is very expensive, yet if you go with (2:28:52), you can reduce the average cost significantly. That gives you one part of the answer, how to reduce the cost on chronic diseases.

The other part of the answer lies with us, because we know how those illnesses go. We know what to do against them, we know how to deal with the flow of interactions and how can you sustain and get better during these chronic diseases. So if you put the GAFA and us together, we can rethink and rebuild the model in a way to say, can we not work in our own space to reduce the amount of cost of chronic diseases or could we even go together to a, for example, NHS to say – look, NHS will help you to reduce your cost of chronic diseases. Then you come into a logic where you don't rent your balance sheet, but where you put expertise together to really be at the client forefront together and to help to reduce the costs as an example.

Q - Oliver George Nigel Steel {BIO 6068696 <GO>}

Oliver Steel, Deutsche Bank. Two questions. The first is, the MyAXA seems to be sort of at fairly early stages in terms of roll out, 150,000 customers in France, I think I saw it in one of the slides and that's where it started I assume. So what are you doing apart from just rolling it out to another 15 countries or whatever it was? What are you doing, what's the process by which you actually get people to sign out voluntarily? That's question one.

Second question is, can you break down the 1.7 policies per customer a little bit more by country, and I mean is that across the entire group including the bits (02:30:33) where you don't have a composite offering, or is that just the composite part? Where are the opportunities in that?

A - Thomas Buberl {BIO 16182457 <GO>}

Before I will let Véronique answer, there is one thing on myAXA and that's maybe a philosophy change because myAXA has not just started yesterday, myAXA has been there for a long time, but we have also learned our lesson in a way that if we position myAXA as a digital policyholder and as a digital policy tool, it is not the right thing, you need to position myAXA as a tool to engage for the customer. And maybe on that line Véronique, do you want to elaborate a bit?

A - Véronique Weill

You said it very well. So I have nothing add to – I have nothing to add notes. What I wanted to tell you is that the tool is nothing. So, what you need to remember is that what we want to increase the Dutch point. What we have learned and I think that France was – has started its adoption matters. So what we need and we learn it from the past that we will continue to update our rollout plan is that we need to convey that message across the value chain. So, it's not only by requesting on the website, it's also being able to have it demonstrated by the distributors. If you have the contact with your claim center or your contact center, they can propose it to you.

So our challenge today is no more building sensi (02:31:57) tool. Our challenge is to make sure that customers see the benefit that we are doing it jointly with the various channel which are this typical distribution, contact center, and through that, we can do more direct marketing and more digital marketing. So I think it's really a big foundation and I am really happy to be – to see really cascade it across the various countries, so that's your first point.

On your 1.7 contractor customer, I'm not going to transfer it totally to Gérald, but what I can tell you is an average – it's an average across the countries, taking also into account the mono liners (02:32:35). So we believe that it's not where we want to be. We have been there for a while. We believe that now by having an omni-channel distribution, we can do better and we believe by assessing the risk of our customer, we are able to provide additional product and services. And I can tell you that it's just not me on this flow, but my partners in the various entities are committed to that numbers also.

Q - Mark David Cathcart {BIO 19783252 <GO>}

Hi. It's Mark Cathcart from Jefferies. This all sounds very innovative, but in reality like insurance, digital is commodity. So where do you see yourselves relative to the competition? I've got impression from (02:33:20) who was telling us that with the brands in France, you're ahead of the curve, but I wonder about the other 15 countries, where are you in the digital race?

A - Thomas Buberl {BIO 16182457 <GO>}

So if you look at the competitive landscape, and I'm not going onto any specific competitor, you see two school of thoughts. The first thought on digital is, I have a paper from today, I have a screen tomorrow. This is one school of thought that is working on digital, the other one, and that's where we belong to is digital is an opportunity to engage with a customer, because we've seen battling for years and years, that a visit to a customer or call to a customer is very, very expensive.

With digital, you have a much different way of interacting and there we clearly say, we are leading the pack, we have invested significantly in digital. Véronique was mentioning a strategic venture commits and maybe Jacques, you can say something about AXA France again. In many countries, we are clearly ahead of the competition. But Jacques maybe you want to add to France because that's where the example was related to.

A - Jacques de Peretti {BIO 16202180 <GO>}

Concerning France, it's true that we're ahead of our competitors. We've invested much money in the past and now we have with myAXA, a wonderful hallmark, which help us to have more interaction with our customer to develop more personalized offer. The next step in France will be to convert on this myAXA, you know so the AXA bond grow because we have a bank with insurance. So in order to increase again – to increase more the frequency of huge and to give to the customer a real advantage, and that is something that will help us to have more interaction with the customer definitely, a new journey with the customer, but also it will help distribution because digitalization and distribution – physical distribution appropriately complementary.

And for example, with myAXA and with set scale that Véronique describing myAXA, for example, in claims to put money on your life contract et cetera, et cetera. You free up unproductive task from your distributors and they can now focus both on productive task, which is giving advice for more personalized solution that to develop what Paul presented in-depth, for example, allocation of asset et cetera, et cetera. So myAXA is not only revolution in the customer journey, but also in the distribution model.

A - Thomas Buberl {BIO 16182457 <GO>}

So that the second point will be, Véronique maybe you want to add to it. This is the second point that differentiate us. We do not believe direct against agents. We believe direct with agent, One AXA is the way to go. Véronique?

A - Véronique Weill

So I think that if you look at the landscape, I think we've started earlier. We are the first number one brand insurance globally. We have been able to accelerate and to do the right investment and we will continue to invest because we're going to invest €3 billion for the transformation in the next five years and we have also this execution track record, which is linked with our people. This is not just us as a management committee, which is really cascading without the organization and we're able to embark our distributors, our contact center, and our product manufacturers. So I think we believe that on top of the ecosystem that we've been able to deal that we're really leading in that space and we want to continue to keep that number one position and continue to roll out products and services.

Q - Mark David Cathcart {BIO 19783252 <GO>}

So you say that outside of France, in other European countries, you are ahead of the market?

A - Véronique Weill

I think that what we have – I think what is important and maybe that was not the case in the past. In the past, you had entities which we're very happy to reinvent the wheel and thinking that they can conquer the world. Now, we are much more systematic and I think maybe that culture is going to help us and position us ahead of the competition. Reputation matters.

A - Thomas Buberl {BIO 16182457 <GO>}

Maybe, we go to the next, we have time for one more question. I know there is many more. We can use the lunch to discuss the other questions, but let's...

Q - Nick Holmes {BIO 21515144 <GO>}

Nick Holmes of SocGen. Just one question on health. I was a little bit surprised at 3% to 5% of your target, because I just thought you could probably achieve more than that, couldn't you in terms of the growth potential with ageing populations. Wondered what your assumptions are and whether you feel that that is a cautious target? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

So it's true that health is a growing space, and you also know that we are always on the conservative side, but Paul will explain how we get to the number.

A - Paul Evans {BIO 20793138 <GO>}

The second person, who said my target (02:38:36) ambition so that I'm not making many friends today. So, look, I think, that if the market offers us real opportunities, I think 3% to 5% compound growth over the plan period is something that we're confident that we can achieve. Is there upside potential? I think there is probably more upside potential in the Asian markets. If we calculate them, some of those markets today, about 80% of our revenues and 80% of our earnings comes from France, Japan, UK and Germany. So there is a big opportunity to shift that mix from an 80-20 moving out over the years. So there could be more, but I think that we have a plan that's built on solid foundations and the plan is built on a solid foundation of growth.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you very much. I know there is a few more questions. Please keep your questions for the lunch. We have enough time then to discuss it. Thank you very much for the Q&A. And I hand over to Andrew to introduce Focus II.

[Break] (02:39:38-02:39:52).

A - Andrew Wallace-Barnett {BIO 18671460 <GO>}

So thank you, Thomas, and thank you to everybody. That was the transform little (02:39:58), so very important in terms of future retail as an example of new customer experience. Health is a great example not only of a growing business, but also of what we mean by payer to partner and then of course interesting and that's unexpected news on the workforce evolution which is very, very important and something that we've studied and then analyzed in great detail.

Now, we shift back to focus, remember focus is about the things that we are doing immediately to support our target for earnings growth and dividend growth. And before we get to finance, I know everybody there is big build up for Gérald, he is looking nervous over there in the corner. But Gérald is going to pull it all together, but what we still we'd like to do in terms of some of the things we're doing on the area of technical margin improvement, we'd like to talk to you about some of the fruits we have from smart data, and how we expect that to impact our loss ratio during the plan period and also to give you an update on the inforce management, and then Gérald will come and hope it all come together with the finance section.

So I'd like now to hand over to Benoît and Etienne to talk about smart data.

A - Benoît Claveranne

Good morning, ladies and gentlemen. Our apologies to sit here (02:41:48) before Gérald's session. Etienne, our Chief Financial Officer in Germany and myself Benoît, the Chief Transformation Officer for the Group, are happy to share with you this morning how at AXA smart data means more business. In the next 10 minutes, we will show you a very concrete business results from our smart data initiatives and why and how, thanks to all the initiatives and investments we have made we are going to industrialize those results.

I don't think I need to spend too much time on that slide. You've seen it a zillion times. Everyone keep saying the same things, data is everywhere and it's growing exponentially. Last estimate is that by 2020, the whole word data will be in the vicinities of 40-zetabytes. Against that background, at AXA, we have decided to focus first on our internal data, which is basically a fantastic gold mine made of all the data that our clients have left and are leaving with us every time they interact with us.

So as I just said, lots of people talk a lot about smart data. At AXA not only do we talk about it, but we walk the talk. And we have done a lot of things in the Group, notably in the past couple of years under the leadership of Véronique and Philippe in this room. And Etienne in a movement is going to share with you very tangible examples. But the most fundamental thing is when you want to industrialize and because we want to do it, we have organized ourselves, and we have invested to be ready to scale that up, and what have we developed? Fundamentally, we have developed a comprehensive data ecosystem.

On organization starting from scratch more than three years ago, we have developed Data Innovation Labs in Paris and now in Singapore, which act as catalyst of our data transformation by developing cutting edge approaches, big data capabilities and providing technical expertise to our local operations. Thanks to our investment in infrastructure on the three continents, our local entities can store, manage and process very rich and diverse amount of data.

On people, we have recruited more than 300 data talents and we have 400 of them by the end of the year. And those data talents are part of the data community we've been developing, which is embedded in our local businesses along with our thousands of actuaries.

And last and certainly not least, thanks to the ongoing 45 projects on smart data. We have developed a very rich and deep knowledge of how to convert smart data into business.

Now, the question is, when we scale that, what can we expect in terms of results? And here, our ambition is very clear and very straightforward. We are going to benchmark all our smart data initiatives against business indicators such as the one that you can see on the straight line behind me, and for some of them for which you have heard in Véronique's presentation or in Jean-Louis' presentation very concrete examples in geographies.

This initiative will result in an increase of revenues and a lowering of our cost, which will result in an improvement of our margin that we are ready to share and estimate with you this morning. But before sharing that, let me hand over to Etienne, who is going to lead you and take you through three very simple business examples to (02:46:08) this concept.

A - Etienne Bouas - Laurent {BIO 22169078 <GO>}

Good morning. As Benoît said, there are plenty of initiatives around the Group with smart data, and I'm going to focus on three of them to give you a flavor of what we want to achieve and how.

I'm going to start with an example on fraud in Germany, which I as CFO follow very carefully, because it's a big part of our savings program for 2020 in terms of claims.

We are actually moving from a very classical fraud detection process to a state-of-the-art system, which allows us to see things, which we couldn't see before. On the left-hand side, you see the kind of screen our claims handlers were facing until recently. So it's not a practical standard information, limited information. And if you wanted to dig a little bit more into the details, you have to open various files to get to a conclusion.

So the talents, the experience, the motivation of the claims handler was really key. Our new system automatically identifies the suspicious elements of the claim. Those elements being external data, internal data, being quantitative data or qualitative data. And today, I want to show you how we are connecting the dots.

Let's take an example. There is a claim of €10,000, (02:48:05) an accident which happened during the night. Is it suspicious? Yes. Because it's a big amount, it's during the night. Is it enough to state that there is a fraud? No. Not at all. The probability is that we cannot qualify the probability that there is the probability of the other fraud.

So let's go one step further. The system now identifies the suspicious words used by the clients in his declaration. And let's go further with the example. The client says all right. I hit a guard rail or a safety barrier because I wanted to avoid a deer crossing the streets while the visibility was limited. And there are some suspicious words in this statement. So now, we know that the probability of the fraud is higher, much higher, but on top of this, the external data show that at that moment, the weather was good and that the place, the exact place where the accident took place was an urban area where the probability of hitting a deer is quite limited. This looks exaggerated, but it's not the case, it's really the reality. And so now we know that the probability is very high that we had a fraud. But our analysis go even further, goes even further because the system identifies similarities between the cases, even if the client are different.

In our example, the system identifies that there were similar client description with the deer and the safety barrier in the same region, but other time with different clients. And we were able to identify fraud network. We made a test in Hamburg in the beginning of the year during two months and we have identified 10 fraud cases, organized fraud, and this is not something we were expecting. So we understand that with that kind of system and new processes, we are going to increase our fraud detection rate by 50% and it represents 0.8 point of loss ratio which is significant.

So you can imagine the increased motivation of our claims handler, who saves time, the superior experience of the client who gets less investigations and who get payments in a quicker way and of course, the absolute delight of the CFO is going to achieve his objectives.

Let's move to the U.S. in an entirely different choose of smart data. We are already number one in the savings retirement market for teachers. And the question was can we do more if we're already the leader and without of course increasing our marketing spend. And the answer is yes. We think we can increase our revenues by 15% to 20%. And how can we do that? With smart data, we have put in place an algorithm which identifies the one-third customers most likely to increase their contribution. Interestingly, those one-third customers are the already good customers, the ones with the higher contribution and the regular payments. So by reallocating part of the marketing budget which was not very efficiently used and reallocating it to the good customers, we are going to increase mechanically our revenues.

Different situation in Spain. In Spain, we were suffering from anti-selection underwriting in the direct motor retail segment. And the question was how can we become profitable because the market was very competitive, very tough market. We succeeded actually in decreasing our new business sales ratio by eight points within two years.

So how did we do that? The smart data project enabled us to optimize the pricing algorithm. We multiplied by three the number of variables used for this. We included a demonstration a lot of client behavior data. For instance, the way a client browse on the web, has an influence on his risk profile.

Before handing over back to Benoît, I would like to highlight four success factors which we experienced during this project. The first one task force mode. Smart data, big data, we are always speaking about big numbers, big stuff. But actually for each project we are managing very small teams, below 10 people. It's mixing business people and data scientist, working in the time pressure.

Second factor, advanced engineering of data. Of course, we are managing our data leg very efficiently, but this does not make the difference. The difference lies in the way we engineer the data to make them work, to optimize, and to enrich the algorithm.

Third, self-learning system; this is very important. Once we have setup – determined an algorithm, we need to enrich it on a daily basis with the business experience.

And lastly, end-to-end solutions. What is very important is to think about the way the end user is going to use the algorithm and this is being developed in parallel and not at the end of the project.

So we are continuingly looking at business processes where smart data applications can give us a competitive edge.

A - Benoît Claveranne

Thank you, Etienne. So you've just seen three compelling examples of how a smart data means more business. What does it mean? It means that in the new phase where we are industrializing this, we are doing better and faster, things that we used to do in the past in terms of technical excellence, but also in terms of customer experience and these paves the way for new services for an innovation regarding the services that we provide to our clients, which can help us to transform ourselves from being a payer today to being a partner tomorrow as Thomas was saying this morning. And when we take all these things together based on our experience, we estimate that we can put a number behind that ambition and that we can reach a one-point of loss ratio improvement by 2020. Thank you.

And now, I hand over to Matthieu and Todd for the Inforce.

[Music] (2:55:59-2:56:16)

A - Matthieu André

Good morning to all. Good to see you again. I hope you're still with us after we're about to start the last hour of the session and I'll promise you one thing, we are the last speaker between you and the long-awaited Gérald presentation. So rest assure, we'll be to the point and we'll be efficient. My name is Matthieu André. I am Group Head of Inforce and Life Reinsurance.

A - Todd Solash {BIO 16937025 <GO>}

And I'm Todd Solash, I lead the Annuity business in the U.S.

A - Matthieu André

Somebody was reminding me earlier at the break that, if you remember two years ago, there was a very good presentation made by Paul Evans and it was characterized as being the gem of the IR Day two years ago. And I hope that you will remember that we altogether concluded that the beauty of Life & Savings Inforce Management at AXA is that the more we search, the more we find.

What we will show you today is that we have built an ecosystem delivering tangible results leading to a learning organization, which has changed its mindset that we have four key levers delivering revenues, earnings, and capital, which is being performed in an organized and systematic way. That we are always looking at our customers' interests and I think it's important to remember one thing, as far as customers' interests is concerned, is our first priority is to be there when the customer most needs us and alternatively to provide him with solution if and when his needs have changed. And last that we are expanding our reach. So, we'll be able to demonstrate to you that indeed the more we search, the more we find.

What do we mean by saying we have built an ecosystem delivering tangible results? Well, Inforce Management is about improving shareholder return while catering for changing customer needs and markets. It is a change in culture, a change in mindset and a focus on change. This is relying on three principles. The first principle is we are systematically reviewing our portfolio as customer needs, time and markets are changing and are passing. And every year that passes is giving us another occasion to look at it over-and-over again. It is a virtuous cycle.

The second principle is about leveraging experience, culture and expertise. Over, the last four years, we've recruited more than 200 people, focusing in managing and delivering more than 300 projects across 13 countries, if not more, in Life, Savings and Health. And the third principle is tangible results. And believe me, you need tangible results when you're constantly trying to challenge status quo and the way things were done for the last 20 years. And I think here we are relying on tangible results.

Over the last four years, we have improved additional underlying earnings by more than €500 million. We have freed up close to €3 billion of capital through Inforce related action be it sale, reinsurance or transformation of our book. And maybe the most important one is 20% of our contacted customers have actually elected to choose the solution we were offering them.

What does it all mean? You know that AXA is one of the largest life insurer by reserve and whatever metrics you're looking at we're talking about sizable numbers. What Inforce Management is about is trying to find 1 basis point or 2-basis point here or there that will make a significant difference.

We are driving our operations on four key levers; investment margin, customer experience, technical margin and capital efficiency. They all contribute to earnings improvement, revenue generation, capital liberation or a combination of any. It is quite a holistic approach looking again, at both the shareholder return and the customer needs. And I'm insisting on the customer because the one thing we've learned over the last two years to three years is focusing on the customer needs is giving us new angle and is brining balance in everything that we do.

So what does that mean driving our operation of four key levers? If you take investment margin, we're looking at best practices in this example and it's not because Thomas is our new CEO, its Germany, who has been the best practice for investment margin. We then test it in a given portfolio and if it works, we're rolling out that mechanism to all portfolio across all countries.

If you look over the last four years, investment margin improvements have driven considerable benefits to the program and crediting rate actions have yielded close to €200 million of incremental earnings, which has enabled us to stabilize our investment margin at around 80 basis points. Gérald will talk more about that later on. While we believe that there is still room for improvement in countries like France, in counties like Belgium or in counties like Switzerland on the group life business, our focus today is to mitigate lower investment income through crediting rate action.

On the contrary though, we believe that there is substantial benefits that can be reached through the other levers. Namely customer experience, cross-sell, up-sell, retention, claims and maturity reinvestment, as Véronique and her team alluded to early on today. Technical margin through the enforcement of non-guaranteed element, group repricing, fraud prevention and customer well-being and obviously capital efficiency. Thomas mentioned earlier that we are moving from being a passive payer into an active partner and I think Inforce is contributing to that journey.

Now, we'll hand over to Todd, who will take us further into capital efficiency and customer experience.

A - Todd Solash {BIO 16937025 <GO>}

Thank you, Matthieu. As Matthieu said, capital efficiency is a key part of what we do at Inforce. It's a critical part of driving dividend capacity and it really requires that we segment the portfolio, so we can focus our efforts in the right places.

Now, perhaps because we're French, we think about segmentation, it'll be like wine. So every vintage isn't the same at harvest. Every vintage doesn't age the same way in the seller and let's be real. Some vintages are spectacular, others less so. So what you see on the left side of the page is our current vintage chart and our efforts are really on the bottom two boxes quite clearly.

So we still have some legacy variable annuity liabilities that are certainly still challenged and with rates such as they are around the world, we're very focused on capital intensive GA blocks (3:03:51) around the world. But what do we do about it. Well, obviously the technical levers come first, where can we lower our crediting rates? What other options do we have embedded in the products? But once we've pulled those, we have to move to the right side of the page and start with the things like conversion and buyout.

Simply put as Paul said earlier, what can we offer our customer that's good for them and good for us. And we got a long history in places like Japan where we've done it for many, many years; in France, we've looked to move general account liabilities to unit-linked, I'll talk about the U.S. in a second and we continue to rollout these programs around the world.

At the same time, we're always looking to optimize the balance sheet. So we've formed the central risk carrier to minimize some (3:04:30) capital across Europe and we work with our reinsurance partners where we can either flop risks or reduce the capital burden by laying off things to them.

And last but certainly not least, once we've done what we can, we've never afraid of disposals. So Denis mentioned some of the earlier disposals in the last plan, opportunistically we'll always look at that as an option, but it's not just an academic exercise. So let me talk a little bit about what we've done in the U.S., which has really been a three-phased journey. So if you start on the left side of the page, we started with the technical levers; things like crediting rates, fee increases and other things that were already embedded in the products have been tremendously powerful. So $150 million in underlying earnings generated through these actions, but they frankly have their limits. At some point you reach the lowest crediting rate that you can offer by the contract itself.

And then we move to the middle. What can we do at conversion with buyout, what can we offer a customer. And again, I can't stress enough, the customers often have products that are incredibly valuable, but simply not what they need anymore, that seven years, 10 years, 15 years pass and while it's a very interesting product in the time it was sold, their lives have changed, so what can we do for them.

In our case, it's been mostly around liquidity, right? A customer has to die or outlive their money before they get money from us, and if we can offer them liquidity now, they've been quite interested (3:05:42) in it. Now, these aren't huge moneymakers, so they tend to be about breakeven from an underlying earnings standpoint. But they do free up a lot of capital, so you can see $800 million of economic capital released through these actions.

And last, but certainly not least, is how do we learn from all of this, to build the better Inforce for tomorrow. So on the right side of the page, we've been very, very focused on things like fee flexibility, structured products, volatility managed funds, how do we build the better Inforce of tomorrow. It's great at the point of sale, so $600 million reduction in capital requirements, but it's also great through time. It gives us the tools that we need to stabilize margins, no matter what economic environments occur.

Now, before I leave practical applications, I do want to spend one minute on the customer. Simply put, if we can't create a win-win, we won't succeed with Inforce. Now, what you've got here are two examples of where we're creating exactly that win-win. So on the left side of the page is the disability business in France. Clearly in disability, you have to get off the claim if you're going to make money. And we've been able to do that by partnering with specialized providers to get people back to work. Now, you can see it's good for us, the 4% reduction in claims, but it's clearly good for the employer, they're getting their workers back, and it's good for the employees, they get healthy and they get back to work. So the cycle works all together and it also helps us at the point of sale. If we can show you that we can get your people back to work faster then we are a more desirable partner to do business with even potentially at a slightly higher price.

And on the right is the customer relationship unit in the U.S. So we have a proprietary agent system in the U.S. Like many proprietary agent systems, occasionally our agents lose track of certain customers over time, it's the polite way (3:07:22) we think about it. And what can we do to serve those customers? They still have needs, they still want service, so we developed a specialized call center. It serves them well, it's serves them cost-effectively, and as you can see, it's been able to help us convert our service into sales. It's a valuable network and we think we can serve roughly 15% to 20% of the population over time through this call center.

So these are clearly evolutionary and not revolutionary ideas but they matter. They matter because they drive bottom-line, so we've been able to make between a few million and tens of millions of dollars from these types of initiatives. They matter because they drive mindset, they get the whole organization focused on Inforce; and they matter because they can be extended around the world. So anywhere where we have a disability business, we can look to find a specialist network just as we have in France. Anywhere where we have a proprietary agent network, we can look to add a specialized call center just as we've done in the U.S.

And with that, I'll turn it back to Mathew who will talk about precisely how we extended around the world and what you can expect.

A - Matthieu André

Thank you, Todd. So, as you have heard, there is a lot going on, we've achieved a lot. And so, the obvious question you could ask to yourself or ask us, is have we harvested all the low-hanging fruits, and is there anything left.

Well, the answer is yes; but in fact no. Yes, we have harvested some low-hanging fruits, even though some of those fruits were pretty high on the tree, I can tell you. But there's still a lot we believe we can do. If you think about it, we are moving from a focus on three countries to a focus on 13 countries. We are moving from a focus on 55% of reserve in scope to a focus of 100% of reserve in scope by 2020. We're moving from a focus which was predominately individual savings into all customer needs whether those customers are retail customer or corporate customer.

So yes, we are of the belief that there is still substantial benefits. And what do I mean by substantial benefit? Few examples. Recently, we were in Mexico, reviewing group life and individual life business. I am not sure if you know where Mexico sits in the Life & Savings segment of AXA, but you'll be surprised when I'll finish the story.

Or more recently during spring, we went to visit Jean-Louis' team in Thailand, reviewing persistency rate, technical margin, or crediting rate. After having performed a systematic portfolio screening in those two countries, we have identified action that once implemented, and if successful, obviously, will yield more than €20 million of incremental earnings by 2020. So, we're talking about potentially significant numbers, and that is making us quite confident in the development of the program.

This has led us to set ambitious and credible targets. Three targets; the first one is we will deliver additional underlying earnings of $350 million by 2020. The second target is we will transform more than $12 billion of capital-intensive reserve by 2020. And we will opportunistically sell or reinsure capital-intensive book of business, and if you see what we have done recently whether it was in Hong Kong or more recently in the UK, you know that there is real things behind those words.

So the key takeaway, we have taken you through the journey of what we're doing which is we have build an ecosystem delivering tangible results. We have four key levers delivering revenues, earnings and capital. We are always looking at our customers' interest, and we are expanding our reach. So yes, we are of the belief that the more research, the more we learn – and that's a very important point – and therefore the more we find, and the more we are contributing to the transformation of the group.

Thank you very much for your attention. And I will now hand over for the long-awaited Gérald's presentation about what it all means. Thank you.

[Music] (3:12:02-3:12:17)

A - Gérald Harlin

So, it's now time for the wrap-up with figures. And this slide is about our key objectives, and indeed we have four different target KPIs. Starting first with underlying earnings per share, which we are expecting between 3% and 7% on average, between 15% and 20%. Second adjusted return on equity between 12% and 14%, between 16% and 20%. Next is the group operating free cash flow, expected between €28 billion on a cumulative basis and €32 billion and our Solvency II ratio in line with the objective we shared with you at the beginning of December; i.e., between 170% and 230% range.

So let's start with underlying earnings per share, which as you can imagine, are quite dependent on the financial markets. So as you can see, our interest rate base case is conservative. This is the one you can see on the bold line, meaning on the left-hand side, you have the German Bund. We're assuming a progressive increase to close to 0 today to 1% in 2019. In the middle, we have the U.S. Treasury rates and we are expecting it to be less than 2% in 2020.

But we believe that it was important to run two alternative scenario, starting first which was very adverse one, that's the blue dotted line that you can see here, and this indeed corresponds to a flat rate in euro as well as in dollars. And we have a more favorable one, which is the green dotted line and corresponding to 2% of the Bund and 4% of U.S. Treasury bond.

You can see on the top right that we are assuming that equities reevaluation on average will be flat over the plan period. It doesn't mean that we are not positive on the long run on the equities and we still believe that on the long run we should achieve a 6% per annum growth. But here in this plan, we have assumed that it was 0.

So in the bottom of the graph you can see how it translates into our earnings expectations. That means that in the unfavorable scenario we can expect to have on average a growth of 3% on our earnings over the plan period, and in the favorable case, 7%, the base case being the middle, i.e., 5%.

Finally, we would expect earnings growth to be slower in the early years of the plan. So all of this confirms our strong resilience with upside thanks to initiatives present here today. So the questions is, what are the main drivers of our underlying earnings per share projected growth. And you can see it here on this slide and on this slide, on a simple way, we – our objective was to present you the five drivers. On the left-hand side, you have the environment, and we have no control on it. And the interest rate headwinds, between minus 5%, corresponding to the unfavorable scenario, and 1%, corresponding to the favorable scenario.

And then we have the four drivers, which are under own management controls. Starting first with efficiency, plus 3%; growth, plus 2%; technical margin, plus 2%; M&A, plus 1%; as a whole between 3% and 7% as I told you. So I propose to come back on each of these drivers and I propose you to start with the interest rates.

As far as interest rates are concerned, we have been quite resilient over the last years for two reasons. The first one being the tight duration gap, around one year. The second, the fact that we have been investing 85% of new fixed income in single A and above. So as far as this new plan is concerned, don't expect us to change. We'll keep exactly the same philosophy, and we don't intend to decrease the asset quality.

So at the same time, assuming our main conservative scenario, i.e., a progression, an increase of 10 years bonds to 1% in 2019, then you can see on the bottom left, what we can expect from the investment margin. So the investment margin will move between 65 basis points and 70 basis points. Presently, we had guidance of the last plan, which was 70 basis points to 80 basis points, so taking into account these interest rate scenarios, we can expect to be between 65 basis points and 75 basis points in 2016 and 2017. And from 2018 to 2020 to be between 55 basis points and 75 basis points.

Two remarks, relative to these investment margins. First, no cliff risk. Second, no risk with guaranteed rates. As far as P&C dilution is concerned, starting from you have in mind (3:18:28) that presently we have an investment yield of 3.6%, we should decrease between 10 basis points and 20 basis points per year over the next years.

So, let's move now to the first driver under our own control, which is efficiency. So, look, we started – it's been repeated this morning, but we started off 2011-2015 journey with €1.5 billion cost savings plan, and indeed, we achieved much better at €1.9 billion. Here, our objectives for the next five years is to achieve €2.1 billion and this will be net of €3 billion investment redirected to transformation initiatives, so it's €2.1 billion net.

How we will achieve this? First, with a reduction in admin expenses, with a reduction on claims handling cost and also acquisition expenses. As a whole, we can expect from this €2.1 billion cost savings to achieve on average 3% underlying earnings per share, which is quite significant because it upsets our conservative base case interest rate scenario.

Let's move now to the business growth. So, you had a lot of presentations this morning – and they are on the top-left box – and that the selective growth examples from today, roughly speaking, represented 55% of revenues. On the right-hand side you have what was not presented today, 45% of revenues. So, let me start with what we presented today. So, we started with savings in mature markets and Paul and Nick told us that they were expecting 3% to 5% NBV growth between 15% and 20%.

Next, we had the P&C commercial lines and Gaëlle, Amanda and Dawn told us they were expecting 3% to 5% revenue growth over the plan period. Then Jean-Louis told us for Asia, he was expecting to have an increase by 10% to 12% of underlying earnings, of which a significant part would come from growth. Last on Health, Damien told that he was expecting 3% to 5% revenues.

On the part that was not presented today i.e., 45% of revenues, we can expect to be between 2% and 3%. How does it translate? In term of underlying earnings per share, we can expect to have a 2% underlying earnings per share growth with potential upside. Why potential upside? Because this 2% underlying earnings growth is based on the low end of growth records, as you noted it (3:21:31) for some of you before.

Let's move now to technical profitability. We can expect to have continued improvement during the plan period, starting first with P&C on the left-hand side, and we expect to have a current-year loss ratio moving down from 71.2% in 2015 to 70% at the end of the plan. In term of all-years combined ratio, it would be a move down from 96.2% to 95% to 94%. Why a bracket? Because it depends on the level of prior-year reserve release (3:22:07). As you know we are presently at 1% to 2% and it may move to 0% to 1% in the later years of the plan.

As far as the Protection & Health is concerned, we expect to move down from 80.9% current-year loss ratio to 80% with an all-year combined ratio moving down from 95.4% to between 94% and 93%. As a whole, 2% underlying earnings per share are expected from these technical improvement. And again, I insist on the fact that the 2% is based on the low end of the combined brackets mentioned on the slide.

Let's move now to M&A. As far as M&A is concerned, so we have a – we are planning – we plan roughly a €1 billion spending in M&A. It's not different from what we told you over the last month, and it will be balanced across mature and emerging markets. You can expect us to be disciplined as we were over the last plan. As a whole we can expect to have plus 1% underlying earnings per share growth coming from M&A.

All of that translates into strong cash flows, and let's go now to the cash flows. Group operating free cash flows are expecting between €28 billion and €32 billion; this compares with the €25 billion achieved between 2011 and 2015.

Now, when moving to the cash remitted to the group, we are expecting to have a remittance ratio between 75% and 85%, and you can notice here that we are on the high end of the 75% to 85% because it includes some capital management actions. So, we can expect to be between €24 billion and €27 billion. Holding costs minus €5 billion, stable gearing at 26% is plus €2 billion.

Dividend, as you remember, we mentioned that going forward our dividend would be between 45% and 55% of adjusted earnings net of undated debt charges. Assuming that we would be on the middle of this range, i.e., 50%, then, it – the costs and there is a cash grain (3:24:44), would be €16 billion.

As a whole, we have €5 billion to €8 billion cumulative cash at holding level available for investment in M&A and this is pretty consistent with the €1 billion target that I shared with you before.

Let's move to solvency now. As far as solvency is concerned, I remind you that we posted a 25% solvency level at the end of 2015. The operating return is expected between 15 points and 20 points of the plan period, dividends minus 49 points, and it's the same assumption, we assume here that we would be in the middle of the payout range, i.e., 50%, sub that minus 11 points, maybe, remember that we said that we could refinance part of the Tier 1 debt, i.e., €3 billion (3:25:48) Anyway, it's a drag of 10 points, but we have flexibility on that side.

As all, (3:25:54) we can expect to be at – 2016, in 2020, well within the 170% to 230% range. This doesn't assume any change in UFR. But you remember that we said that the 100 basis points change in UFR would translate into 19 points. This should lead us to a sustainable dividend growth. And I can say that the combination of the two factors, i.e., the resilience adjusted earnings per share growth between 3% and 7% growth target plus a capital gain level between €300 million and €500 million and we can expect to be more on the low end of this range over the plan period. This is combined with the flexibility with the payout ratio, because we were at 47 – we had a payout ratio of 47% at the end of 2015, which means that we have flexibility and this leaves room for the board to increase our dividend.

And now, I hand over to Thomas.

A - Thomas Buberl {BIO 16182457 <GO>}

Thank you, Gérald. We are now coming to the final Q&A session. Benoît will join us and I hope there is a question on smart data and not everything is on finance, we will see.

Who would like to start with the questions? Let's start again at the middle table.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Hello. It's Jon Hocking from Morgan Stanley. I've got two questions, please. Gérald, you mentioned that the shape of the earnings growth was due to lower growth at the beginning of the plan and high growth at the back end of the plan. Can you just talk a little bit about how the interaction of the investment return environment and the cost savings lead through to the five-year plan? It's a first question.

The second question, just looking at going back to slide 114, where you've got so selective growth penciled in for different business units. Just looking at – it seems that the revenue target is sort of north of 3% or so, but the earnings target is 2% up.

Is there implicitly a margin decline built into the plan, or is that actually just sort of the margin of safety? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Gérald, you take both questions.

A - Gérald Harlin

Okay. So, let's start with the second one. I think that we have growth of 3% to – on average 3% let's say on page 114. You can notice that 2%, that's from the – we have 2% to 3% on the other business that means that in the P&C business and the protection business. So in the end, we have 2% underlying earnings per share growth. Keep in mind the fact that at the same time, we have tax, which means that tax explains a significant part of the difference between the 3% (3:29:01) 2%. But again, I insist on the fact that, the way we built 2% is really based on the low end of the bracket. Your first question was...?

Q - Jon M. Hocking {BIO 2163183 <GO>}

The shape of the earnings.

A - Gérald Harlin

The shape of the earnings curve. Yes, that means that taking into account the fact that we have the headwind coming from this interest rate, and you know that we are in a declining phase of the investment margin. We are assuming also that we don't have any growth in the equity market. All this combines makes that there is a slower growth at the beginning of the curve, that's it.

And at the same time, all the initiatives that have been proposed to you, keep in mind that we are staffing (3:29:54) as you know from a growth rate, which was much more modest than the 1%. Many of you considered that as a whole, roughly 3% was modest, but nevertheless we are not at this space to that, (3:30:05) so that means that it will take some time, but you can count on us to do it as quick as possible.

A - Thomas Buberl {BIO 16182457 <GO>}

Let's go to this table.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Interest rates fell quite sharply over the past three weeks. So, I'm just wondering did you have to change the 3% to 7%? Was it changed from say 4% to 8% three weeks ago? Is really to check that, that curve where you've got the pessimistic outlook for earnings is actually based on 0% interest rates in Germany. And the second question is based on the slide 118. I think that when you first gave out your projections for capital, there was this number, and I may be wrong of, 11 points of capital generation pre dividend.

I just wonder what's happened to that 11 points, so was it 9 points, so I can't quite remember, but what seems to be left over here after the dividend is about 4.5 points if we include the sub debt. So again, is that because there was that rapid deceleration or decline in interest rates? And then I guess alongside that, if you take the 82 points of operating return on slide 118 and divide it by 5, you don't get to 17.5 points, you get to 16.4 points. So I just wondered what was behind that number of 82 points. Is it that we should really think of that 15 points to 20 points skewed on the downside risk to 16.4 points? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks. So the first question is easy. We will wait for you to vote in...

A - Gérald Harlin

(3:31:50)

A - Thomas Buberl {BIO 16182457 <GO>}

and so everything is right. (3:31:50)

A - Gérald Harlin

Let's start with your first interesting...

A - Thomas Buberl {BIO 16182457 <GO>}

Yes.

A - Gérald Harlin

...question about did we change or not the assumption. I believe that when you're preparing such a plan in a very low interest rate environment, you cannot (3:32:03) but you should be realistic. And that's what we did. That means that we wanted to have a quite flat scenario and we ended up with 3% which is indeed a good achievement because it means that with zero interest rate growth, plus zero equity revaluation being at 3% means that taking into account the potential, we have a profile of the call. (3:32:31) So that's quite good and that's exactly what we have been doing. Remember, what we discussed over the last years that's exactly the way we're being working during the previous five years, so it would be same for this plan.

Your question about the margin, it was on the operating return of margin, so you were surprised because it was not exactly the figures you had in mind. On page 118, for sure, we said between 15 points and 20 points, and this highly depends from the interest rate. So, that means that taking into account a different interest rate environment makes that it was much more favorable. That's exactly same for cash flows, but maybe you will have questions about cash flows.

A - Thomas Buberl {BIO 16182457 <GO>}

Your third question is answered?

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

No, not, really.

A - Gérald Harlin

Okay. Okay, go.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

So the question was 82 divided by 5 gives me 16.4. And the second question was what happened to the guidance of 9 points to 11 points of capital generation...

A - Gérald Harlin

Okay.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

...which you gave us in December, because it's gone down to around 4 points on this slide?

A - Gérald Harlin

Okay. The 16.4 points, we said that it's 15 points to 20 points, the objective was not to say that it would be on the average, but it would be to mean that during the plan period, it would evolve between 15 points and 20 points, that's what it means.

A - Thomas Buberl {BIO 16182457 <GO>}

Okay. Let's move on the same table.

Q - Nick Holmes {BIO 21515144 <GO>}

Nick Holmes with Soc Gén. Two questions. The first is, Gérald, I wondered if you could update us on the expectations for impairments if any in H1, obviously, volatile markets, difficult markets recently. Just wondered if you could give us some comments on that topic.

And secondly and perhaps more interestingly, longer term, I wondered if you could give us your outlook for P&C pricing within the context of the targets. I'm thinking we all know that there is a bit of a softening in P&C pricing in some markets, wondered what sort of assumptions you're expecting within your targets. How severe is the pricing outlook decline? Thank you.

A - Gérald Harlin

Okay. So as far as the impairments are concerned, every day, it can change, but we could say that for the time being, no need for impairment. You remember that we said at the end of last year that we had some capital gains, we had roughly 15% of annualized capital gains. Of course, that means that we have still significant capital gains, this is for equities.

But at the same time, keep in mind and that's I make the link (3:35:45) with the capital gains that we will realize over time. I told you that will be between €300 million and €500 million, but will be more on the low end. Keep in mind that we have significant unrealized capital gains on real estate. So that means on the spot basis, no specific impairment, but it can fluctuate. But anyway, I don't – for the time being, I don't have any specific fear on that side.

The long-term outlook on the P&C and on the combined ratio, I would say that it's – there is some flexibility. Keep in mind first and I would like to start with a remark. Don't consider that for sure there are some pressure on prices, but in an extremely low rate environment, do you believe that these rates would stay at 0% for a long period of time? Do you believe that there would be significant pressure on prices? We don't believe so. Nevertheless, on the way we've built our plan, yes, we have some flexibility. And keep in mind, what was already said that means that we have one point coming from the big data that has been said today, so it's minus one point compare starting from where we are today.

We have at the same time some expense ratio and the €2.1 billion translate into an expense ratio of 1 point. At the same time, claims handling cost will decrease in line with the €2.1 billion plan. And we can expect mid 0.5 point. So what does it mean? That means that any kind of additional improvement in the combined ratio coming from other areas because we didn't present you all the areas of improvement of our combined ratio, any of these will correspond to flexibility in our pricing, meaning that with these two elements you achieved already the 95% that I discussed before, and again the 95% that I presented before assumed in the end 0% year-over-year reserve release in 2020.

A - Thomas Buberl {BIO 16182457 <GO>}

Let's move to this table.

Q - Oliver George Nigel Steel {BIO 6068696 <GO>}

Oliver Steel, Deutsche Bank. I have three questions. The first is, can you just explain a little bit more about the €350 million of earnings coming from the Inforce sections, are those recurring or are those sort of lump sum amounts? And if they are lump sum, when within that period, do you expect them to be emerging?

Secondly, in your capital (3:38:47) in terms of capital releases from Inforce sections? And then thirdly, the cost savings you've targeted, the €2.1 billion rechecked, it's about 30% of your existing underlying earnings, but you're only talking about 3% per annum benefit from that. So where is the outlook?

A - Gérald Harlin

Okay. So the €350 million will be spread over the period. That means that we can expect to actually €350 million. That means that when comparing 2020 with today with 2015, then we'll get €350 million. The €350 million roughly speaking, I could tell you that it should be one-third coming from the investment margin with all the measures that we have explained and presented by Matthieu and the rest is on the technical summit.

And so you can consider that the rest is part of the technical improvements that I presented today. The capital release on Inforce, we can consider – you see, you can make your own math, that means that assuming that we would be just in the middle of 75% to 85%, it's roughly €1.5 billion.

I believe I'm quite comfortable on our capacity to achieve it. Remember, what I said, it was at the beginning of December, when we presented Solvency II. I said at that time, that we were planning over the period to have capitalization of our subsidiaries, European subsidiaries between 130% and 150%. So we are not there yet. It won't be done in one year, but I'm quite confident in our capacity to achieve these remitted funds of the plan period.

The last question is €2.1 billion, and let's be clear, the €2.1 billion, Oliver, this compares to – yes, the €2.1 billion, the breakdown roughly speaking is €1.5 billion in earning expenses, €0.2 billion in claims handling cost, €0.4 billion in acquisition expenses. Okay? And this compares – second point, this compares to roughly €20 billion of global expenses including the acquisition expenses.

Take into consideration as well that the way it's calculated, that means that we are starting from the expenses in 2015, increased by inflation and increased also with growth and then we apply the €2.1 billion just on the way we did it in the previous plan. Is it clear?

Q - Oliver George Nigel Steel {BIO 6068696 <GO>}

So, the €2.1 billion doesn't include cost savings that will effectively be for the benefit of policyholders or it's all shareholder savings?

A - Gérald Harlin

Yes. It's shareholder savings. It's shareholder savings.

A - Thomas Buberl {BIO 16182457 <GO>}

Okay. Let's move to the table just in front.

Q - James A. Shuck {BIO 3680082 <GO>}

Thank you. It's James Shuck from UBS. I have three questions, please. I'd like to return to the operating capital generation, 15 points to 20 points because there is a slide you put up relatively recently that was clearly 20 points and I appreciate interest rates are lower, but you are doing a number of things around efficiency, et cetera you've outlined today. So (3:42:38) see why that that 20 points guidance has been load (3:42:42) to 15 points to 20 points? That's my first question.

Secondly, coming back to slide 117, the group operating free cash flow generation, €28 billion to €32 billion, first of (3:42:53) clarify, is that range driven by your upside downside (3:42:57) scenario around interest rates or is that a base case assumption? And then I'd just like to understand the bridge from the old guidance, because you had €24 billion as being accumulative number as the target level up to 2015, you don't (3:43:14) have to switch to Solvency II, which gave you an €0.5 billion benefit. So, you multiply that by five, you get kind of €2.5 billion and it gets you to kind of the lower end of the new target range. So, again I appreciate those lower interest rates. But does that explain all of the difference, because I'm just (3:43:30) see where the efficiency improvements comes through into the actual capital generation?

And my third question was around the target range for the capital position is 170% to 230% and you gave (3:43:44) very good Investor Day back in November, explaining those moving parts. It's a very wide range. And by 2020 hopefully, now the world is looking a little bit better and I wanted to understand your dividend flexibility, because excluding or if you take into account the reduction of the UFR then you're going to be sort of very slightly towards the lower end of that range. So what is the scope to tighten it and lower that target range, please?

A - Gérald Harlin

Okay. Starting with your first question, I believe it's the same questions before, as the one that has been raised before, that means we can – it's mostly linked to the interest rate environment. And if you look – if you are making your assumptions, assuming that rates would be at 2% or assuming that rates will be much, much lower, then it's completely different. But I believe I answered already this question. About the free cash flow, and your question is an interesting one. I'm sure that you're referring to what I said, and what I presented in November for the Solvency II presentation.

At that time, we said that it was – no, it was for the last earnings release, sorry. We said €5.9 billion of free cash flow for 2015, plus €0.4 billion corresponding to the new capital and new Solvency II environment and the fact that we could use the future opportunity in order to offset our capital needs, so, it's €6.3 billion. And of course if you multiply $6.3 billion by five times, you're above the target, the middle of the range, which is €30 billion. But again, there we have the interest rates, which explains minus €0.2 billion on average.

Next, you have the required capital and required capital because in P&C you have noticed that we will grow much more than what we did last year. We were close to zero last year, so it's minus €0.2 billion on top. And (3:45:52) Asia, it's €0.2 billion. So as a whole we have €5.7 billion. And on top of this, we have growth and growth will bring us some additional cash flows €0.3 billion.

So, as a whole, what was €6.3 billion at the end of last year, moves to €6 billion. Roughly, taking into account the growth, if you multiply €6 billion by 5, you're back to $30 billion which is the center of the range. I hope it's been clear. But it's – don't decrease the importance of interest rates. Your last question is about the target. I believe that we've been clear many times saying that we have a target, which is between 170% and 230%, it is a wide range for sure, it's a wide range, but it brings stability and in this environment, it's quite important to keep some stability. Last but not least about dividend, it gives – the fact that we are 47% in term of payout ratio means that we have a lot of flexibility.

Q - James A. Shuck {BIO 3680082 <GO>}

So, could I just clarify what the interest rate assumption is in the free cash guidance or target that you can afford, please?

A - Gérald Harlin

I said that interest rate, it was a drop by 0.2%, we can take this offline if you want, but we have – I said that the interest rates compared to last year because last year, we had interest rates environment, which was more favorable, which means that the cost of low interest rate of the plan period decreased by 0.2% the expected free cash flows.

A - Thomas Buberl {BIO 16182457 <GO>}

Let's move to Blair, I think.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks very much. Blair Stewart from BoA Merrill. Just on the interest rate scenarios, you've got your base case, you've got your bear case, et cetera. What (3:47:59) do you have if the bear case proves to be too optimistic in (3:48:03) worst interest rates as we've seen for the last few years if disappointed (3:48:06) on the downside? So, what (3:48:08) do you have if rates actually get worse from here?

And on the other side of the coin, you'll be glad to hear a more optimistic question, what would be the impact of maybe a plus 5% growth in equity markets, given that AXA is a heavily fee driven business, but we thought that was favorable. So, if we don't get foreign equity markets and we get some growth, what would be the impact of that, please? And finally, when you talk about M&A, does share buyback feature as an option within that and if not, why not?

A - Gérald Harlin

Okay. As far as the interest rates are concerned, the worst for me, when (3:48:53) if your question is more on the U.S., on the U.S., it's relatively small. I would say that everything equal, we can consider that in case in the United States, we would have a decline towards 1%, impact would be roughly, let's say, $100 million pre-tax, something around this. About the 5% equity, you can see that we have, there would be an impact, but it's, we have an average AUM in Unit Linked of $190 billion. And as you know and you can see it in our appendices, you have an average margin and average fee of 145 basis point. So depending on your assumption, you can make your math extremely easily.

Share buyback; look at what we said at the – in the previous meeting. So we intend to buy back shares so long as we have some dilutive instruments, like share plan, like exercise of stock options; that's what we did. We will do it. We'll walk the talk, nevertheless we consider that in the present environment. We have, with our plan to invest €1 billion per year in M&A, this combined with our capacity to do our organic growth, means that we consider that it's better for the future to do this and we have no plan to do share buyback beyond what we announced already.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Gérald. Let's move to this table.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

Three questions. One which is a blunt (03:51:06) question, I suppose, is, what's the cost of the floods. The second is you stressed you're very conservative on the revenue, you assumed the lowest revenue from all your colleagues. What would be the figure on EPS if you assume the higher end? And the last question is where is the €3 billion; you mentioned the €2.1 billion cost save is after the €3 billion. I'm not that – haven't followed AXA continuously, so I just wondered where it is? Thank you.

A - Gérald Harlin

Okay. So the floods, we can expect – and what we know today, it should be roughly €100 million after-tax. What would be the high end? It's not very sophisticated, but as a rule of thumb, if I tell you that between €3 billion and €5 billion, we end up with €2 million, so you can make the math and you – I don't believe that you debate on (03:53:08).

The last is the €3 billion investment, so it's, what we call, is a transformation plan and it's a plan that of €3 billion that will be implemented over the next five years. So it's mostly digital, but not only digital, and all what was presented this morning was – exactly reflects this plan. It concerns customer experience, data transformation, digital assets, claims underwriting and so on and so forth. So it's more than (03:52:40) purely digital, but it's more or less what you saw this morning and we will follow it up.

A - Thomas Buberl {BIO 16182457 <GO>}

Let's go to the back.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Good morning, again. It's Andrew Crean. Three questions. Firstly, can you do the same thing for the margin, if the margin was at the better end, the technical margin on the P&C and the Health, what would that do to your earnings projection?

Secondly, in the first quarter 2016, I think your revenues were only growing 1% and there is reasons to believe margins will be under pressure this year particularly with lower market. So could you talk a little bit about how 2016 will play into the overall growth targets?

And then, thirdly, could you talk more broadly about disruptive technologies, which you see over the plan period and how they may affect you? Which you see is the main disruptive technologies including things like autonomous car?

A - Gérald Harlin

Okay. The margin; so, Andrew, your question is about the 1% flexibility that I highlighted. Roughly speaking, 1% is – for P&C should be €250 million net of tax and, for Protection a bit less maybe €200 million; that gives you an idea. The overall growth target for 2016 just wait one more month. That means that don't forget that quite soon we'll have another meeting and we will present the half year earnings. So I believe that it will be the opportunity to give you the precise figures. About the next point?

A - Thomas Buberl {BIO 16182457 <GO>}

Yeah. So that's the disruptive technologies, we see four things. One is clearly on the Motor and Household piece in the P&C, and also on the commercial side we see the impact of connected devices and self-driving cars. You have this already in the B2B space coming into the P&C retail space on connected house and clearly the question around self-driving cars.

You see it on the investment side with robo-advice being more and more coming into this space. You will see it on the health side with new devices being developed and the, I would say, automation of the general practitioner, what Damien has presented. And then there is a fourth trend which is around blockchain, how is the whole question of transactions, because at the end of the day we are a transactional business, how is this being revolutionalized. Those four trends are clearly there.

We are monitoring these trends. We are actively engaging with the companies that are developing these trends. So if you take blockchain, which is probably the one that is furthest away (03:55:49), we have invested in a start-up called Blockstream in order to really understand what does it mean and how can we leverage this for our business. So those four trends are not something we are anxious about, it's something that we are excited about, and it's something that we are engaging with, these companies that are developing these technologies in order to see what can we do together.

Q - Denis Pierre Marie Duverne {BIO 1521138 <GO>}

(03:56:20) in the previous plan, Ambition 2015, you gave some targets regarding profitability by business. As far as I remember, it was around 12% for Life, 15% for P&C, and 20% for Asset Management. Could you give us some target for these businesses today within the bucket of course, because you are a bit less precise now in your profit target?

My second question is about divestment. Have you identified any divestment? Of course, I don't ask about a precise answer, but in principle (03:57:04) do you think that you still need to divest in some areas or some business line?

And the last question is about Asset Management; you didn't say a word this morning regarding Asset Management and forecast about Asset Management. Are you confident – after what we said regarding the macroeconomics and financial assumptions, are you confident with that business? And what do you see as growth in terms of revenues in the coming years in the plan? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Gérald, I'll take question three and you do one and two.

A - Gérald Harlin

Yeah. So your first is about the plan by business. You can go back to my presentation, I believe that we gave already a lot of detail. We believe that in this environment, it doesn't bring you lot to give too many details. And what is important indeed it's a global growth. What is important is its impact on the bottom line. And that's the time where, what (03:58:18) we want to improve this year. The cross-sell of sale (03:58:24) to our clients, I don't believe that it's so important.

Next is divestment. Look when I said that we plan to invest €1 billion per year, it's €1 billion net of course, net of divestment. And as you can imagine, we don't have any specific divestments in mind and look we did it and we announced quite recently some divestments, so that's what I can tell you about it.

A - Thomas Buberl {BIO 16182457 <GO>}

On the Asset Management, we have today two asset managers that are well positioned AXA IM and AB (03:59:04). When we look what have we done in terms of changes of the organization governance, we have clearly given the Asset Management a higher significance and higher importance within AXA Group. Because we believe – yes, the Asset Management has to go through the same transformation that our business insurance has to go through, but where we can leverage more is really the combination of asset management and life insurance.

If you remember, what Paul and Nick were presenting this morning was exactly that. The future of life insurance does not lie on the one hand in full guarantee or in full Unit-Linked, it lies somewhere in the middle, Unit-Linked with guarantee. The asset manager plays a big role and we have got two asset management with very dedicated capabilities where we also have a lot of competitive advantage, but this is not represented yet where we are in the life insurance sales and in the leverage of these capabilities in the new forms of life insurance. And we are very dedicated to those asset management as you could see and read over the last couple days. Growth is clearly on the agenda in their existing space by growing with affiliate concerns. Last question.

Q - Nick Holmes {BIO 21515144 <GO>}

Thank you. Nick Holmes with SocGen again. Just a couple of questions on the U.S. variable and USC (04:00:38) legacy book. Sorry, I know the accounting and everything on this is incredibly complicated, but my two questions are: firstly, your equity growth assumption of zero, does this really – are you really applying that to the legacy book? I guess, I would be surprised if you were, because I think that would probably not – have a negative effect on that; secondly, I know you've been working very hard on this book and you've done a lot of buyouts, I guess a question for Todd and Matthieu André, what are the plans for further buyouts protecting the downside on this book? Thank you.

A - Thomas Buberl {BIO 16182457 <GO>}

Gérald you do question one; and then Todd and Matthieu question two.

A - Gérald Harlin

Okay. Nick, on your first question; yes, you are right. That means that – for sure as far as the fees are concerned; yes, we're taking these assumption which is a conservative one. As far as the DAC, because your question goes to the DAC, deferred acquisition costs; deferred acquisition costs are calculated on the long-term assumptions, they're not done in (04:01:53) five years. And remember what I said during my presentation, I said we still consider that on the long-run we should have growth in equities.

A - Thomas Buberl {BIO 16182457 <GO>}

Todd and Matthieu.

A - Todd Solash {BIO 16937025 <GO>}

Sure. So on buyouts, I think the short answer is we still see plenty of scope for activity. It probably won't be the same things that we've done before (04:02:16) talking about the direct business can tell you if you go back to the same people with the same offer over and over again, you tend to deteriorate to response rate, but we have quite a pipeline of things that we're looking at as potential options to go to the book. You'll probably see some stuff rollout. First quarter of next year is the likely timing, because they do require state filings. So there is some lag time between when we decide on what we want to do and when we can actually implement it.

A - Thomas Buberl {BIO 16182457 <GO>}

Thanks, Todd. So unfortunately, we have to close the Q&A session here. I've seen many more hands going up. We have our lunch afterwards where everybody is present, so you can – you have plenty of opportunity to still address your question. Thanks Gérald and sorry Benoît that there was no question on smart data. There is still hope for the lunch break.

So I would like to come to the conclusion now. We have had a long and intense day behind us and I would really like to thank you, thank you for being here, thank you for asking questions because those questions are extremely helpful not only for you when it comes to good answers, but also for us because it inspires us what do we need to think about, how do we need to develop.

I would also like to address a big thank you to all the speakers and the IR team that have made this day a fantastic day. Thank you very much.

As you have seen during the whole day, we have a very clear strategy that is addressing the key challenges of this environment: lower rate, lower growth and a different customer expectation. Focus and transform are the two pillars of our Ambition 2020. Focus is clearly there to get to – to really implement how do we increase the existing performance to overcompensate the negative effects of low interest and low growth. You've seen it was around selective growth, it was around efficiency and margins, and it was around capital and cash. Transform is clearly the way into the future, how are we adapting, how are we evolving our business model towards different and new customer expectation.

That means clearly that we need to create a better customer experience at the front-end by joining direct and agents and having a much smoother and more convenient customer experience, but this also means that we are enlarging our business model beyond the traditional influence be it with new services, but also be it in spaces where we haven't been yet, but where we can create a customer relationship and change the dynamic between the customer and us.

And thirdly, it is clearly about getting ourselves ready to this new world, up-skilling our own people, finding the right talent in the market in order to be ready internally to address those new changes. It is important that in these difficult markets we are managing over the period between 2016 and 2020 a underlying earnings per share growth of 3% to 7%.

This in an environment where we don't know how the markets will react, we have a tough environment on interest rates, we have a tough environment on equities; therefore, we wanted to be extremely transparent to say what is in our hands, what we can influence ourselves, that is the 8% you've seen, but what is also not in our hands, and what does it mean, how do we get to the 3% to 7% over the time period. This will materialize in a very attractive cash flow pattern between €28 billion and €32 billion given that we still have a very good return on equity and a very strong solvency.

If you look at this package together, focus and transform, plus those numbers, you can clearly see that we are differentiating ourselves from the competition in a way that we are going the way of transforming of changing our business model and that we are offering an attractive way to really go and attack the problems that are around us. And given what we've heard today that we still have room on the payout, this should clearly be – give us a position to increase the dividend.

I would like you to remember a couple takeaways from this day. The first one is clearly about where do we come from? We have a proven track record. We have implemented Ambition AXA and we are starting now with a very resilient balance sheet and a good earnings capabilities. We should never forget what we have and how we can build on this. It's very different position towards many of the competitors.

On growth, we have clearly said let's be selective, let's be selective on business and on geographies and only focus on where we have implemented something, how can we copy paste it somewhere else, and let's not reinvent the word.

Third point is around focus. Less is more, how do we find clear priorities on the cost saving side the €2.1 billion, but also on the margin improvement side, be it Protection, be it P&C to really focus ourselves there and get the house in order in order to compensate for the negative effects in the market.

The third – the fourth topic is around transform. We want to go the journey of transforming the business model, because we also want to serve our customers tomorrow. If we have the Ambition, that we've clearly stated our Net Promoter Score should be in 2020 at a 100% of all markets at the market average, we need to move, we need to change the model, and we need to change the customer relationship that we have with our customers.

A key determination there is how are we, what is our team, how are we committed. And I hope you've seen it was very important for us to present the team to you today to show the diversity of the team, to show the international character of the team that this

Ambition is not only carried on two shoulders, it's carried on many shoulders that are working hand-in-hand.

Deliver means we are fully committed now to deliver these earnings, to deliver this plan, and to compensate against the headwinds that we have. This should offer us an opportunity to increase the dividend since we are at the low end of our payout ratio. All of this and the transformation is in the spirit of a larger vision.

How can we really empower our people to live a better life? We are there to help people, we are there to really support people in difficult situations. This is where our focus is, not on paying bills. We need to move in that direction, and we will to really make sure that we are the insurer who moves from a payout to a partner.

Thank you very much and we can continue the discussion now at launch. Thank you.
