



# AXA to acquire XL Group

## Creating the new AXA

March 5, 2018



## **IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS AND THE TIMING OF THE PLANNED IPO AND INTENDED SUBSEQUENT SELL-DOWNS**

Certain statements contained herein may be forward-looking statements including, but not limited to, the timing of the transaction, AXA's conduct of XL Group's business following the completion of the transaction, the expected benefits of the transaction, as well as statements regarding the future conduct, direction and success of XL Group's business, as well as other statements that are predictions of or indicate future events, trends, plans, expectations or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause AXA's actual results to differ materially from those expressed or implied in the forward looking statements. These risks and uncertainties include, but are not limited to: uncertainties relating to the timing of the transaction; the possibility that the closing conditions are not satisfied; the effects of a disturbance AXA's business caused by the announcement of the transaction; the risk of a shareholder dispute or otherwise failure to obtain shareholder approval in connection with the transaction, the risk that a government entity may prohibit, delay or refuse to grant approval for the consummation of the transaction, the occurrence of any event, change or other circumstances that could give rise to termination of the merger agreement, risks related to the disruption of management's attention from AXA's ongoing business operations due to the proposed transaction and other risks and uncertainties described in Part 4 - "Risk factors and risk management" of AXA's Registration Document for the year ended December 31, 2016, which describes certain important factors, risks and uncertainties that may affect AXA's business and/or results of operations. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise, except as part of applicable regulatory or legal obligations.

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## **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

This presentation may be deemed to be solicitation material in respect of the proposed transaction between XL Group and AXA. In connection with the proposed transaction, XL Group intends to file a proxy statement on Schedule 14A with the Securities and Exchange Commission ("SEC") and may file or furnish other documents with the SEC regarding the proposed transaction. This presentation is not a substitute for the definitive proxy statement or any other documents that AXA or XL Group may file with the SEC or send to shareholders in connection with the proposed transaction. SHAREHOLDERS OF XL GROUP ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders will be able to obtain copies of the proxy statement (when available) and other documents filed with the SEC (when available) free of charge at the SEC's website, <http://www.sec.gov>. Copies of documents filed with the SEC by XL Group will be made available free of charge on XL Group's website at <http://xlgroup.com/>. Copies of documents filed with the SEC by AXA will be made available free of charge on AXA's website at [www.axa.com](http://www.axa.com).

## **PARTICIPANTS IN SOLICITATION**

XL Group and its directors and executive officers, and AXA and its directors and executive officers may be deemed to be participants in the solicitation of proxies from XL Group's shareholders in connection with the proposed transaction. Information regarding XL Group's directors and executive officers, including a description of their direct interests, by security holdings or otherwise, is contained in XL Group's annual proxy statement filed with the SEC on April 5, 2017, XL Group's Current Report on Form 8-K filed with the SEC on October 26, 2017 and XL Group's Current Report on Form 8-K filed with the SEC on February 20, 2018. Information about the directors and executive officers of AXA is set forth on its website at [www.axa.com](http://www.axa.com). A more complete description will be available in the proxy statement on Schedule 14A. You may obtain free copies of these documents as described in the preceding paragraph filed, with or furnished to the SEC. All such documents, when filed or furnished, are available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or by directing a request to XL Group or AXA at the Investor Relations contacts above.



# Table of contents

1. Introduction	<u>04</u>
2. Transaction highlights	<u>10</u>
3. XL Group overview	<u>13</u>
4. Strategic rationale	<u>18</u>
5. Financial aspects – Ambition 2020	<u>23</u>
6. Conclusion	<u>29</u>



# 1

## Introduction



# Key takeaways



**A major leap forward in AXA's strategic journey**



Creating the **leading global P&C Commercial Lines player** across all lines



**Strong complementarities** to fuel future **earnings growth and value creation**



**Effective use of proceeds from the planned US IPO** and intended subsequent sell-downs<sup>1</sup>, at an attractive return



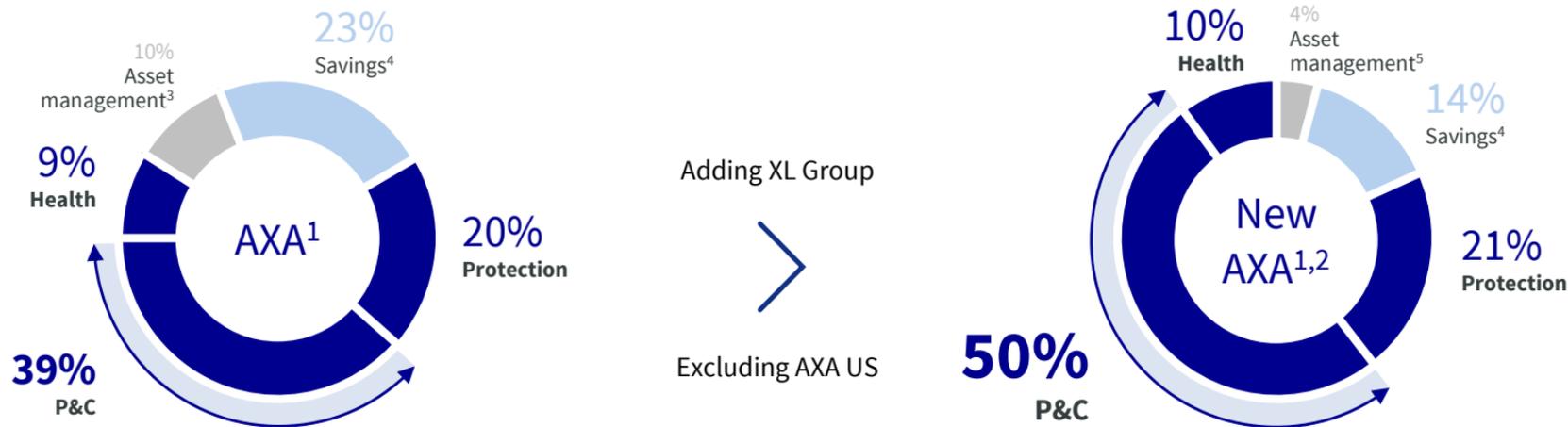
**Material risk diversification** and **capital benefits** under Solvency II



**Ambition 2020 targets reaffirmed**

# Moving from a predominantly L&S company to predominantly P&C

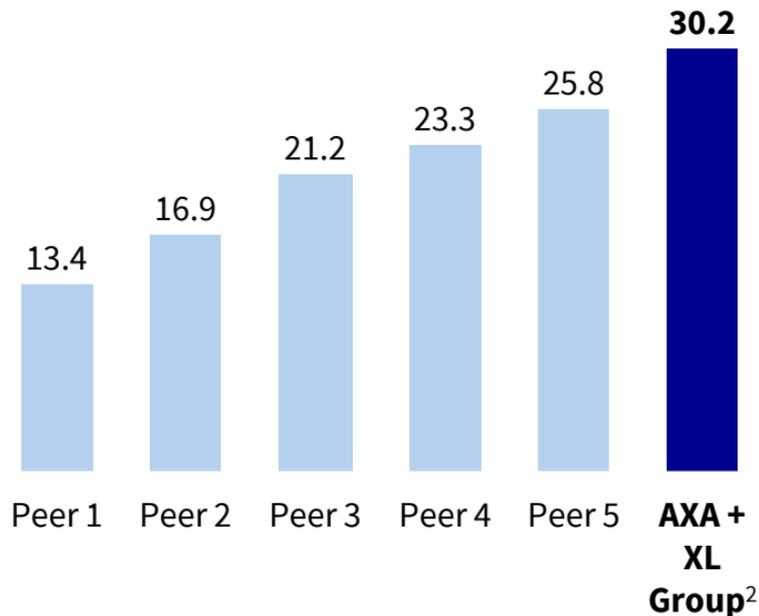
2016 pre-tax underlying earnings



Highly diversified AXA with reinforced **cash remittance** and **growth** potential

# Becoming the #1 global P&C Commercial Lines insurer

2016 GWP in Euro billion<sup>1</sup>



- ✓ #1 global P&C Commercial Lines company
- ✓ Enhanced global footprint with **access to US and London markets**
- ✓ Strengthened exposure to **large and upper mid-market segments**
- ✓ Stronger presence in **profitable, growing** and least prone to disruption **specialty lines**

# Building the champion in large, mid-market and specialty risks

## “AXA + XL Group”

XL Group  
Insurance

XL Group  
Reinsurance

AXA  
Corporate  
Solutions

AXA Art



**Mike McGavick**, becomes Vice Chairman of “AXA + XL Group” and Special Advisor to Thomas Buberl



**Greg Hendrick**, becomes CEO of “AXA + XL Group” and joins AXA’s Management Committee

“Create the **most innovative insurer** known for **solving complex risks** enabled by the **best talent** in the industry with leading data and analytics, digital operations and lower cost of capital.”

Very limited integration challenge, reflecting strong complementarity

# A P&C dominated company to create substantial value for stakeholders





2

## Transaction highlights



# Acquisition of XL Group: a key step in creating the new AXA (1/2)

**A compelling opportunity...**

- **Global leading P&C Commercial Lines insurer and reinsurer**
- **Strong presence** in North America, Europe, Lloyd's and Asia-Pacific
- **Growing franchise** with **high quality** underwriting platform
- **Strong teams** with recognized expertise, renowned for **specialized client solutions**
- **Rich** and **diversified** product mix; broad access to **alternative capital pools**

**... and a perfect fit with AXA's strategy**

- Becoming the **#1 global P&C Commercial Lines insurer** across all client segments
- Strong alignment with **Payer to Partner** strategy
- **Strong complementarity**, with significant synergies and **limited integration challenge**
- **Radical risk profile transformation** with US IPO and intended subsequent selldowns
- **Common culture** around people, risk management and innovation

# Acquisition of XL Group: a key step in creating the new AXA (2/2)

## Significant value creation

- **Offsetting US IPO earnings dilution as soon as 2018**
- **Material risk diversification** and capital benefits under Solvency II (ca. 30%)
- **Ambition 2020 targets reaffirmed** (UEPS, FCF, ROE, SII)
- Strong return on investment – **ROI at 10%**

## Consideration and timing

- Acquisition<sup>1</sup> of XL Group **100% paid in cash**, for a price of USD 15.3 billion (Euro 12.4 billion) or USD 57.6 per share, i.e. a 33% premium to its closing share price on March 2<sup>nd</sup>
- Transaction valued at **11x P/E post synergies**
- Financed with a combination of cash at hand, sub debt and US IPO related proceeds
- Expected closing **end of 3Q or 4Q 2018**



3

## Overview of XL Group



# XL Group overview: a compelling opportunity

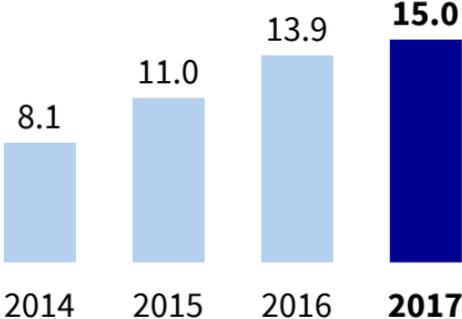


- › Founded in 1986, **leader in P&C commercial** and **specialty lines**
- › Active **global network**, with ca. **7,400 colleagues** worldwide
- › **USD 15 billion GWP** in 2017, of which ca. 5 billion in **reinsurance**
- › Strong access to **large and mid-market** segments
- › Highly **agile** and **innovative** company

# A high quality asset...

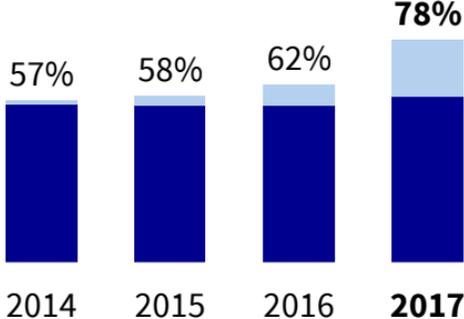
## Gross written premiums

In USD billion



## Net loss ratio<sup>1</sup>

Nat Cat



Historical long term average<sup>2</sup>

ca. 63%

Strong growth and excellent underwriting expertise

...supported by a strong market presence and diversified reach



**#1 for industry product innovation<sup>1</sup>**

**Reinsurance company of the year<sup>2</sup>**

**Comprehensive business model – originating, packaging and selling risks**

Glossary on page 34 of this document

# Strategic relevance of XL Group's key business lines

## Premier specialty platform with top level capabilities

- **Tier 1 specialty lines player** – large, profitable, **growing** market with low risk of commoditisation
- **Innovative solutions** to complex and emerging risks and **source of new dynamic products**
- **Strongly complements and diversifies** AXA's traditional Commercial Lines insurance portfolio
- Adds **ability to cross-sell** to AXA's SME portfolio

## Reinsurance – access to diversification and alternative capital

- **Leading top 10 P&C reinsurer** with size which allows agility and flexibility
- **Offers a complete and diversified set-up** with means to deploy capital on a global basis
- **Improves AXA's expertise and allows access** to alternative sources of capital including a majority owned ILS manager and \$1.7bn of in-force catastrophe bonds



**4**

**Strategic rationale**



# Continuity in AXA's ongoing transformation

AXA's November 2017 Investor Day



**Health**



**Protection**



**P&C  
Commercial**



- ✓ High frequency **customer contacts**
- ✓ Attractive segments for **additional services**
- ✓ Geared towards **technical margin**
- ✓ Ripe for **innovation and new business models**

## A strong complementarity...



- **Leading global insurer** with ca. €100bn revenues
- **#1 insurance brand** for the 9<sup>th</sup> consecutive year
- Leading **pan-European SME player**
- **Innovation** and **sustainability** leader in insurance
- Excellent **capital base and cash generation**



- **Leader in P&C Commercial Lines** and **specialty**
- **Industry-wide recognition**<sup>1</sup> for high performance and customer satisfaction across its businesses
- Strong **large** and **mid-market player**
- **Agile** and **innovative** company
- Superior **franchise** and **underwriting**

# ...leading to substantial synergies and diversification benefits

## Cost synergies

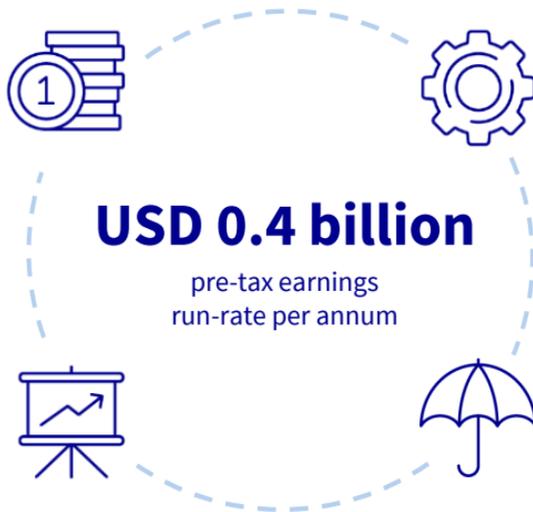
ca. **USD 0.2 billion pre-tax p.a.**

- Rationalization of existing operations globally
- Rationalization of central functions
- Internalization of Asset Management mandates

## Revenue synergies

ca. **USD 0.1 billion pre-tax earnings impact p.a.**

- XL Group specialty products delivered through AXA's distribution channels
- Combined firepower to address high growth markets and multinational clients



## Capital synergies

ca. **30% SCR reduction** for XL Group or **5-10pts benefit in AXA Group's SII ratio**

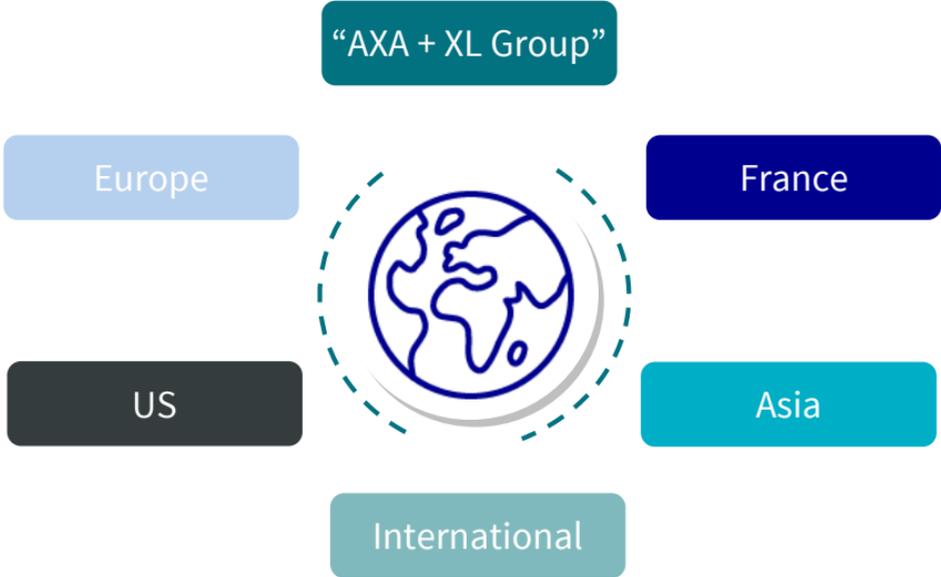
- Following capital diversification
- Expected by 2020 following the approval/integration of XL Group internal model

## Reinsurance synergies

ca. **USD 0.1 billion pre-tax to be saved p.a.**

- Lower reinsurance costs due to procurement synergies and diversification
- Savings are net of additional reinsurance bought to align with AXA Group risk appetite

# A straightforward integration as AXA's sixth major geography/market



**Mike McGavick**, becomes Vice Chairman of "AXA + XL Group" and Special Advisor to Thomas Buberl



**Greg Hendrick**, becomes CEO of "AXA + XL Group" and joins AXA's Management Committee



# 5

## Financial aspects Ambition 2020



# Financial implications of the transaction

Substantial synergies

**15x** P/E

**11x** P/E synergized

High return

**10%**

ROI

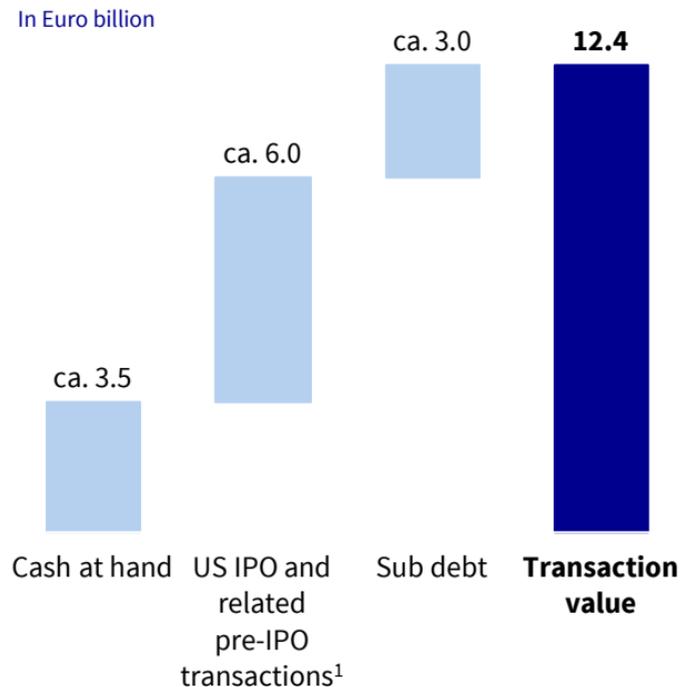
Cash accretion

**80%+**

remittance ratio  
from XL Group

Strong **strategic** and **financial benefits** for shareholders

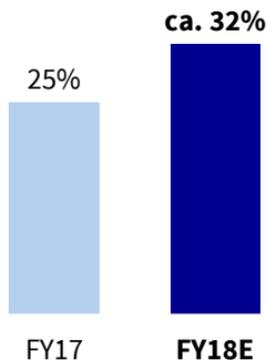
# Financing plan of the transaction



- ✓ Transaction **fully financed in cash**
- ✓ **Limited additional debt** issuance
- ✓ **Temporary increase** of our debt gearing
- ✓ **Comfortable estimated end-2018 Solvency II** position
- ✓ Euro 9 billion backup bridge financing in place

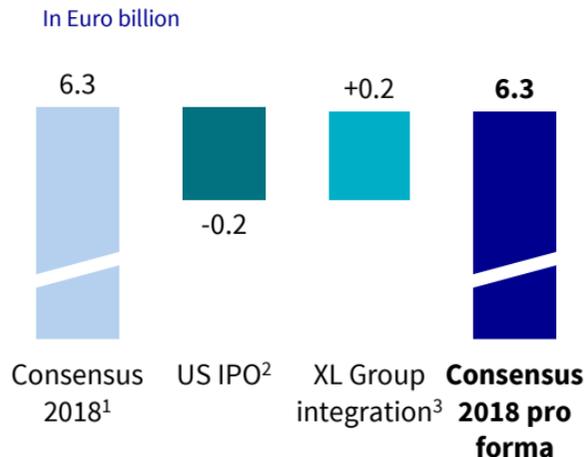
# Limited and temporary impacts on AXA Group's 2018 financials

## Temporary increase in AXA Group's debt gearing

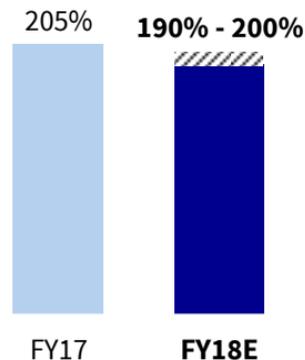


✓ Of which +3pts from US IPO related debt issuance

## Compensating US IPO earnings impacts as soon as 2018



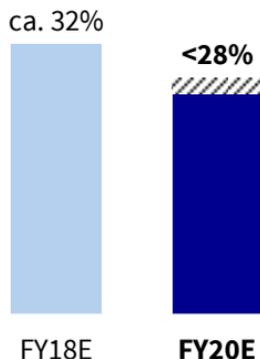
## Strong estimated Solvency II position



# 2018-2020 impacts – Ambition 2020 targets affirmed

(Irrespective of our US subsequent sell-downs)

## Expected decrease in debt gearing within two years



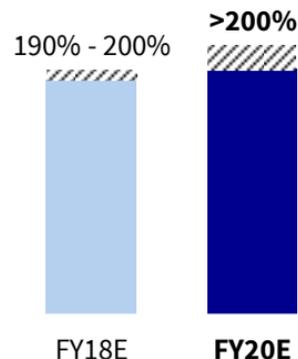
## UEPS 3% - 7% CAGR<sup>1</sup> target reaffirmed

- ✓ Earnings dilution from US IPO and intended subsequent sell-downs

expected to be offset by

- ✓ the acquisition of XL Group and the emergence of the related synergies

## Strong estimated Solvency II position



- ✓ Material risk diversification and capital benefits under Solvency II (+5 to 10pts) following the approval/integration of XL Group's internal model (expected in 2020)

# XL Group acquisition is positive in medium and long term

## Ambition 2020 targets reaffirmed

**3% - 7%**

UEPS CAGR<sup>1</sup>  
2015-2020

**28 - 32**

Euro billion  
2016 -2020 cumulative FCF<sup>2</sup>

**12% - 14%**

Adjusted ROE<sup>2</sup>

**170% - 230%**

Solvency II ratio<sup>3</sup> range

Supporting our **45% - 55%**  
**payout ratio guidance**

## Medium to long term outlook

- ✓ **Reduces sensitivities** to financial markets
- ✓ **Lower beta and cost of equity**
- ✓ **Increases cash remittance** potential
- ✓ **Reinforces group's growth** potential



6

Conclusion



## Key takeaways



**A major leap forward in AXA's strategic journey**



Creating the **leading global P&C Commercial Lines player** across all lines



**Strong complementarities** to fuel future **earnings growth and value creation**



**Effective use of proceeds from the planned US IPO** and intended subsequent sell-downs<sup>1</sup>, at an attractive return



**Material risk diversification** and **capital benefits** under Solvency II



**Ambition 2020 targets reaffirmed**



**Thank  
you**



# Notes (1/2)

## [Page 5](#)

1. Subject to market conditions

## [Page 6](#)

1. 2016 pre-tax underlying earnings excluding AXA SA
2. New AXA based on 2016 pre-tax underlying earnings excluding AXA SA and AXA US (Life & Savings and AB), and including 100% of XL Group. For XL Group, earnings are based on 2016 operating net income before taxes converted with a 2016 average foreign exchange rate of 1.11 USD per Euro
3. Asset Management and other: includes AB, AXA IM and other insurance and non-insurance entities of AXA
4. Savings includes G/A Savings, Unit-Linked and Mutual funds & Other
5. Asset Management and other: includes AXA IM and other insurance and non-insurance entities of AXA

## [Page 7](#)

1. Using a 2016 average foreign exchange rate of 1.11 USD per Euro
2. Includes P&C Commercial Lines and Commercial Health for comparability purposes

## [Page 12](#)

1. Completion of the transaction is subject to approval by XL Group shareholders and customary closing conditions, including the receipt of regulatory approvals

## [Page 15](#)

1. Based on net earned premiums
2. Combined average since 2008 for both XL Group and Catlin

## [Page 16](#)

1. Advisen's Pacesetter Index, 2016 and 2017
2. European and UK Captive Awards, 2017

# Notes (2/2)

## Page 20

1. Highest in Customer Satisfaction within Large Insurers (J.P. Power 2016 & 2017 Large Commercial Insurance Study), #1 for Industry Product Innovation (Advisen's Pacesetter Index 2016 & 2017), Top Performer in London Market Across Nearly All Metrics (Gracechurch survey), Re/insurance Company of the Year (European and UK Captive Awards 2017), Captive Fronting Partner & Customer Care Award (UK Captive Services Awards 2017), US Captive Services Award for Re/insurance Award (US Captive Awards 2017), Bermuda Insurer of the Year (Reactions magazine 2017), Ranked joint No.1 for Overall Satisfaction (Gracechurch London Claims Report 2016), "Most Just" insurance company (The Just 100: America's Best Corporate Citizens 2016) and Commercial Lines Insurer of the Year (British Insurance Awards 2017)

## Page 25

1. As described in AXA Group's November 2017 Investor Day

## Page 26

1. Bloomberg consensus as at March 2, 2018
2. 2018 estimate based on bloomberg consensus for AXA Group underlying earnings as at March 2, 2018 and AXA US contribution to AXA Group's 2017 underlying earnings, assuming the planned IPO would take place in the end of 1H18 and assuming it would be for a 35% stake
3. 2018 bloomberg consensus for XL Group's operating net income assuming an expected closing end of 3Q18

## Page 27

1. Compounded annual growth rate

## Page 28

1. Compounded annual growth rate
2. Adjusted RoE and free cash flows are non-GAAP financial measures. For further information, please refer to the reconciliation of adjusted ROE to the financial statements and its definition in the Glossary, which are provided in AXA's 2017 Activity Report (respectively, on page 22-26 and pages 69 to 76).
3. The Solvency II ratio is estimated based on AXA's internal model calibrated based on adverse 1/200 years shock and assuming US equivalence. For further information on AXA's internal model and Solvency II disclosures, please refer to AXA Group's SFCR for FY2016, available on AXA's website ([www.axa.com](http://www.axa.com))

## Page 30

1. Subject to market conditions

# Glossary

## Insurance

XL Group's insurance operations provide customized insurance policies for complex corporate risks, focusing on lines of business believed to provide the best return on capital over time:

- **Professional** liability products include a broad range of coverages to professional services firms and public and private companies. Products offered are directors' and officers' liability, errors and omissions liability, employment practices liability, and cyber liability and technology coverages,
- **Property** business includes exposures to man-made and natural disasters. Products include commercial combined packages, general property, business interruption and boiler and machinery.
- **Casualty** products generally provide large capacity on a primary or excess of loss basis. Global insurance programs are targeted to large multinational companies in major industry groups including automotive, consumer products, pharmaceutical, pulp and paper, high technology, telecommunications, transportation and basic metals.
- **Specialty & Other** includes the following lines of business: aviation & satellite, marine (including North America inland marine), fine art & specie, equine, livestock & aquaculture, crisis management (product recall, political violence, kidnap & ransom, contingency, sport & leisure, title), political risk, trade credit and life, accident & health. The London wholesale market makes up a significant portion of the Specialty premium income, and we take full advantage of the Lloyd's trading market for subscription business.

## Reinsurance

This segment provides casualty, property risk, property catastrophe, specialty, and other reinsurance lines on a global basis with business being written on both a proportional and non-proportional treaty basis, and also on a facultative basis. Our lines of business within the Reinsurance segment continue to focus on those that provide the best risk adjusted return on capital:

- **Casualty & Professional** includes general liability, professional liability, automobile liability and workers' compensation and directors' and officers', errors and omissions, employment practices, medical malpractice and environmental liability.
- **Property Cat** provides coverage on an excess of loss basis when aggregate losses and loss adjustment expenses from a single occurrence of a covered event, or multiple occurrences in the case of aggregate covers, exceed the attachment point specified in the policy.
- **Property Non-Cat** covers a loss to the reinsured on a single risk of the type reinsured rather than to aggregate losses for all covered risks on a specific event, as is the case with catastrophe reinsurance. Our property proportional account business includes reinsurance of direct property insurance.
- **Specialty & Others:** specialty products include energy, marine, aviation and space. Other reinsurance products include fidelity, surety, trade credit, accident and health, mortgage and political risk. In addition, we write several whole account capital gearing quota share contracts on select syndicates at Lloyd's.