Q3 2017 Sales and Revenue Call - Activity Indicators

Company Participants

- Andrew Wallace-Barnett, Head of Investor Relations
- Gérald Harlin, Group Chief Financial Officer

Other Participants

- Andrew J. Crean, Analyst
- Andrew Sinclair, Analyst
- Andy Hughes, Analyst
- Farooq Hanif, Analyst
- Michael Huttner, Analyst
- Nick Holmes, Analyst
- Paul De'Ath, Analyst
- Peter D. Eliot, Analyst
- Pierre Chedeville, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Hello, ladies and gentlemen, and welcome to today's AXA Nine Months Activities Indicator Conference Call. Throughout this call, all participants will be in listen-only mode. And after, there'll be a question-and-answer session. Just to remind you, this conference call is being recorded.

And today, I'm pleased to present Andrew Wallace-Barnett, Head of IR. Andrew, please go ahead.

Andrew Wallace-Barnett {BIO 18671460 <GO>}

Thank you very much and good morning, everyone, and welcome to the AXA conference call for our activity indicators for the nine months of 2017. Gérald Harlin, our Group CFO, would like to give you a quicker overview of the main figures included in the press releases which we issued yesterday evening and which you can find, and no doubt already found, on our website. Following that, we'll open the floor to questions and answers.

Gérald, I'll hand over to you.

Gérald Harlin

Hello. Good morning to all and thank you, Andrew. Let me begin by giving you an overview of the main figures for the nine months of this year before moving to the Q&A. Overall, as you have seen in our press release, we recorded strong growth in our preferred segments. First, Health revenues were up 6%; second, P&C Commercial Lines revenue up 2%; and third, Unit-Linked APE was up 9%. In Asset Management we saw net inflows of €8 billion with revenues increasing by 7%.

Now moving on to specific business lines. Starting first with Life & Savings, APE growth was plus 1%, driven by continued growth in our preferred segments, offset by reduction in G/A Savings sales. Unit-Linked APE grew by 9%, reflecting strong new business sales in France, up 25% Singapore and in the U.S.

Protection & Health APE grew over the nine months with higher sales in France, China and the U.S., partly offset by the non-repeat of a large group protection contract in Switzerland. Growth in the preferred segment was offset by reduced sales in G/A Savings. The continuation of some of the specific situations were highlighted in the first half, namely in Hong Kong and Japan where we faced specific market and regulatory challenges and at AXA MPS in Italy where we expect some gradual improvement over time as the situation normalizes.

In Southeast Asia, India and China, we saw strong positive growth in APE across most countries in the region in the third quarter. We had a particularly encouraging third quarter in China, with an increase in Protection & Health sales and a reduction in general account new business resulting in an NBV margin of 31% for the nine months versus 25% for the first half.

NBV margin remained high across the board at 40%. Life & Savings net flows were at plus €3 billion with strong net inflows in Protection & Health at plus €5.1 billion, in Unit-Linked at plus €1.2 billion and in general account capital light at plus €1.3 billion, partly offset by new outflows at minus €4.4 billion in traditional general account in line with our strategy.

In P&C, let's move to P&C now. In P&C revenues were up 1% driven by growth in commercial lines, up 2% from both volume and price increases. Excluding Turkey, where revenues continue to be impacted by the pricing cap regulations, P&C revenues grew by plus 2%.

In mature markets, revenues increased by 2%, driven by positive price effect and higher volumes in most countries, most notably in UK and Ireland, and in AXA Corporate Solutions had higher volumes in Italy. In emerging markets, revenues were up 5% excluding Turkey, mainly driven by Mexico and Brazil. It is also to be noted that the non-motor business grew by 3% during the nine months.

As I mentioned earlier, Asset Management business net inflows amounted to plus €8 billion or plus €11 billion excluding AXA IM Asian JVs during the first nine months, mostly from the retail channel. Revenues increased by plus 7% due to a combination of both higher average assets under management, as well as increasing margins, resulting from an improved business mix towards retail business.

Our Solvency II ratio was at 201%, stable versus H1 2017, as the operating return net of estimated accrued dividend was offset by FX impact.

Overall, I would say the nine months number reflect a continued good performance in our preferred segments, in line with our Ambition 2020 strategy.

I'm now happy to answer your questions.

Q&A

Operator

Thank you. We are first over the line of Peter Eliot at Kepler Cheuvreux. Please go ahead. Your line is now open.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Thank you very much. Good morning, all. I hope my line is okay. Three questions, please. First of all, I'd be very interested to hear the initial experience you've got with fizzy and anything you could say about take-up or anything else there? Secondly, on the G/A outflows, it looked to me – the large driver, there is less capital-light inflows. And I'm just wondering if you could comment on that, say whether there's been any change of strategy there at all? And thirdly, on the solvency ratio, the FX, I was surprised by the negative impact from the FX. I was wondering if you could just explain that a little bit, what's happening there? Thank you very much.

A - Gérald Harlin

Okay. So let's start first with fizzy. I believe that fizzy has been launched quite recently. The first experience for us has been on the North American flight. And we could say that it's welcomed. It's more welcomed because it's a confirmation of our innovation capacity. Also for the beginning (00:07:49), it will be small volumes. Nevertheless, it confirms our capacity to launch some quite innovative products. And in the second step we'll expand fizzy to other airline routes.

About the G/A Savings, we could say that we have higher – indeed, we have higher outflows. On the capital-heavy, we have outflows of €4.4 billion in the first nine months versus minus €3.7 billion in 2016 which is indeed in-line with our strategy. And we could say at the same time that following the tax (00:08:39) priority in Belgium, we had some further outflows.

But again I insist on the fact that it's quite normal. You know that we stopped selling products from capital – we almost stopped, not totally, but we almost stopped in the main country the capital heavy sales. And indeed what we did is that we sold more capital light. So we have capital light of €1.3 billion in the first nine months and it was €2.7 billion one year ago.

So you are right, it declined, but why? It declined only because we have Italy, that with MPS, with our JV with the MPS, most of our products were capital light. And that in the first half due to the turmoil of the Bank, we had lower sales. But I can tell you that – and you will notice that in the first half in Italy in Life, we were at minus 15 (00:09:44), we are at minus 11 after nine months. So there is a gradual improvement. And now that the state, as you know, is the majority capital owner, people are back, clients are back, and we should benefit gradually from this improvement. So we are quite hopeful that it's an important JV for us. As you know, we have an exclusivity agreement with them of 10 years, still 10 years, and which is quite important. And we strongly hope that and expect that next year it will be far better. But for this year, we still suffer from this poor first half experience.

Sorry, solvency ratio. That was your third question. What I could tell you and maybe – for sure we have a negative FX effect, but many people don't take into account that in actual growth of the ratio, we have a management case expectation, management case assumptions which are unique, which means that the – when you take into account the ratio we have the organic growth which as we said represents 15% to 20%.

And this operational performance of 15% to 20% integrates already some management case assumptions in term of interest rates, in term of equity and so on, which means that the positive impact or the negative impact, the positive impact is coming only when the market outperform the management case, which was not the case in the first half, explaining that we had a negative coming from the FX which made that in the end. We didn't compare with the first half where we had (00:11:55). We are stable because we have a plus and a negative.

Q - Peter D. Eliot {BIO 7556214 <GO>}

Okay. Okay. Thank you.

Operator

We are now over to Credit Suisse and Farooq Hanif. Please go ahead, sir. Your line is open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Hi there. Your new business profit growth has, well, it's stopped growing. Could you please talk about some of the inflection points that you may have in 2018 that could change that? You've mentioned some of them already, but could you sort of tell us how concerned you are about this and what you think might change. Secondly on the growth in P&C. Your commercial non-motor volume has started to grow quite considerably, and you mentioned the UK and Corporate Solutions. Could you give us a bit more detail about what you're writing? And I'm guessing motor versus non-motor, is this a more profitable business mix for you? Thank you.

A - Gérald Harlin

Okay. On the new business profit, if I well understand I'm sorry because the line was quite poor. But the new business profit improvements that we are expecting for next year, I would say that we are expecting that the headwinds that we had this year won't reproduce next year and we should benefit, as we mentioned the Hong Kong, I can expect that Hong Kong will improve. You remember that in Hong Kong we said that we had been hit by the fact that we decided to withdraw a product which was with a low profitability it was in the fall last year.

So we will introduce a new product in beginning of next year that will be a brand-new product, so we should benefit from this and we should improve our business. Maybe you noticed that across Asia, inside the third quarter, you noticed maybe that in Asia, we were at minus 2 in the first half and we are moving to plus 1 for the nine months. Meaning that the third quarter was better and we have an improvement in the third quarter across the board. So that's for Asia.

In Switzerland, I don't expect to have this negative impact. You remember that we had a large contract in the first half of 2016, meaning that we had a headwind, which means that we were at minus 12. So this should improve as well. At the same time, Italy, I mentioned Italy but Italy will improve. I'm absolutely convinced that we will improve. And that's mostly it, and we could expect also with new products being launched, especially in Health an improvement in Japan. Beyond this, you notice that we had a very strong first nine months in France and in the U.S. The U.S., it's a bit less in the third quarter than for the first half because we have the dollar impact, in line, I would say, with the market. But nevertheless, we remain at a quite strong market level.

I should add that in countries like in the U.S. and in France, we sell a lot of unit-linked products, which are quite diversified. In France, I mentioned, in my introduction that we increased unit-linked by 25%. This increase is not due only to equity products but we are launching very attractive real estate products like Selectiv'Immo. So, globally speaking, that's what I can and we can hope that next year will be, should be better on that side.

Your second question, Farooq, was about the commercial lines. Yes, indeed, we have the commercial lines which we posted 2% growth in the first nine months which is slightly lower than Ambition 2020 target. But at the same time, if we exclude the negative impact of Turkey, because in the commercial line, we have some motor, we should have been at 3%, which is quite good.

And we have growth in Europe. We have a strong growth, a good growth, I would say at 3%, notably in UK and Ireland in Health, and also in Italy and in Germany. So as a whole, we are selling and that was your remark. We are selling quite profitable in non-motor commercial lines which grew at 3%.

And its property, it's (00:17:12) liability, and that it's less commodity products, very often, that our privilege segment is SME business. And on this SME business, we can sell different products which are not only commodity type of products like motor. And we have a quite strong profitability with AXA LM combined ratio. That's what I can tell you. So, keep in mind that our strategy and that's why we said that our commercial SMEs and new markets was one of our priority segments. Why? Because very often, we are selling through tied agent networks who are quite good at cross selling anything.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. Thank you very much.

Operator

We are now over to Paul De'Ath with RBC. Please go ahead. Your line is now open.

Q - Paul De'Ath

Yeah. Hi there. Thanks. Couple of questions, please. Firstly on the P&C business and looking at the price effects movements versus the half year, it looks like a number of countries are seeing a slight slowdown in the positive price movements. Is it fair to say that there's an element of market softening going on, or is there any kind of change in your approach to pricing? That's first question.

And then the second one is going back to the fizzy product. I'd be interested to know, how automated is that – is the process in that product, presumably it's in some ways entirely automated and therefore we don't really need any people to manage it? And then linked to that, I guess what other applications do you see for that kind of product in the future? Is the risk have a similar flight delay product and they're I think looking at something in crop insurance for example, but it would be interesting to hear your thoughts with what else this kind of process could be applied to? Thanks.

A - Gérald Harlin

Okay. What I can tell that maybe you – if I start with Personal lines. In the first half, and I'll start with your first question on P&C. In Personal lines, the price effect in the first half was 2.7% and we are down to 2.4%. I could say that maybe the biggest difference, so it's not huge. It's 0.3%. The biggest difference might be in Asia. That in Asia we had a price effect which was close to zero, 0.2% in the first half for personal lines and it moved to minus 0.9%. As you know it's quite challenging and competitive market. That's the main elements that I could mention. But at the same time we had a revenue increase in personal lines in Asia of 2.9%. So, it's not been at the expense of our sales.

On the commercial lines, it's pretty close because we were at 1.7% price effect in the first half and we moved to 1.6% for the first nine months. So, nothing specific. So, these are the main points that I can highlight on this.

On your second question, yes, it's 100% automated. And so, it's just the beginning of what we can do and with this type of products is the first product. But we could imagine that going forward we could build some parametric product that – and that could be used for retail as well. So it's quite an innovation, because it's away directly to a client. It's just it's sold on the smartphone. So, that means that it's – what we call itemized insurance. And at the same time we are using the quite innovative blockchain technology. And the technology is the way to do it and to take prime equity because you read the press articles with fizzy, so you are immediately (00:21:52).

Q - Paul De'Ath

Okay, great. Thanks.

Operator

We're now over to Nick Holmes at Société Générale. Please go ahead. Your line is open.

Q - Nick Holmes {BIO 3387435 <GO>}

Hi, guys. Thank you very much. Just three quick questions. First is, with your very strong unit-linked growth in France, just wondered how sustainable you think this is? Then secondly, with the 6% growth in Health, can you give us a little bit more color about the countries and the products that are driving this? I think you said a little bit about it, Gérald, but a little bit more color? Third and final is the nat cat loss that you suffered in Q3. Wondered if you could give us a bit of color on that. I guess I'm thinking of the Mexico City earthquake, mainly. Thank you very much.

A - Gérald Harlin

Okay. I'll start with your question on unit-linked, is it sustainable. 25%, I could not tell you an exact – we can't expect to be at 25% forever. But nevertheless, I should highlight the fact that you remember that in the past presentations, very often, we mentioned, the fact that in France, we were one of the best in the market in terms of percentage of unit-linked. It's still true. That in fact, we are close to – we should be at 44%, something like that, where the market is at 30%. So, we have this ability to sell much more unit-linked and what we are proving in the first nine months is that it's more accelerating than decelerating, which is an excellent news.

Second, we have as I said this capacity with our client to sell very great diversity of products. It's not only selling unit-linked for sure. At the same time, the fact that in the past we have been selling more unit-linked products than the others means that our clients are quite happy because they benefit in an environment of low interest rate. This combination where they have an average, say, 55% of general account, 45% unit-linked means that in the end the interest that will be credited will be much higher. And we have this capacity. I mentioned the real estate products which Selectiv'Immo. We are among the few ones on the market to have this capacity to sell these products.

And another point that I wanted to make. We should also say that without any doubt, also the flat tax in France, we don't expect that it will have a big impact on ourselves. Without any doubt we have been also somewhat – we had a positive impact coming from these flat tax with some anticipation on our clients. But I should say at the same time that we will keep a big advantage of the insurance contract which is in the item tax, which is much, much lower, which means that even if instead of being half year at 25%, after eight years we'll be at 30% for contracts which are above €150,000. I think that it's only large contracts. For the other contracts, it doesn't change. So, clearly I consider that it's relatively small. And we don't expect to have a negative impact but without any doubt, we benefited in the first nine months on such effect.

So about Health revenues in France, it's mostly group business. You know that we had new contracts with large corporates in France which explains our strong performance. In Germany, it's individual business. In Ireland, we were quite good because we sold some products for (00:26:20), so that's what I can tell you on Health revenues.

And your third question was about cat nat. Honestly, it's not significant. So as you know, we always take into account in our product pricing including, of course, in Mexico some part of cat events. So we are well within our – we are roughly within what we call our attritional losses. At the scale of our group due to our diversification, I don't expect some negative impact, and it's not significant.

Q - Nick Holmes {BIO 3387435 <GO>}

Okay. Thank you. That's very clear.

Operator

Okay. We're now over to JPMorgan, and Michael Huttner. Please go ahead, Michael, your line is now open.

Q - Michael Huttner {BIO 1556863 <GO>}

Fantastic. Thank you very much. Three questions. The first one the net interest figure. I couldn't make it add up. €5.1 billion and you mentioned €1.2 billion, €1.3 billion minus €4.4 billion and the €5.1 billion. That adds up to €3.2 billion, not €3.0 billion. I can understand a variance of €0.1 billion. But it makes me think that some of the underlying numbers might have been very close to the other side. So I just wonder if you can give some detail which numbers were slightly (00:27:49) rounded.

The other thing is on the solvency. So pro forma for the bond that was refunded a few days ago – a month ago, sorry – we're 200%, and you mentioned this thing about management expectations. I know you can't go through all the management expectations. Maybe that's more my job, but maybe give a feeling relative to where the markets are today. Whether there is any other variance which we should be thinking about versus the expectations that you built into your model. In other words, would we be below this 200% pro forma number or above?

And then finally, on the non-Life, can you give a little bit more color? You gave a huge amount of color at the six months on where the growth was coming from in terms of contracts et cetera. And I was looking for numbers, particularly in terms of the impact of Turkey and what seemed to be a withdrawal at the time from DIRECT. Can you say whether those trends have continued and maybe give some figures to better understand this? Thank you.

A - Gérald Harlin

Okay. So Michael, again, I'm sorry because the line is very poor, but I understood that your first question was about net flows. And net flows mostly by geography. And so that means that net flows for the first – you can get it on page 14 in the press release. So I could say that in the U.S., we had a bit more, but it fluctuates. We're at minus 1. In France, we are progressing quite well. In Europe, excluding France, we moved from – we are zero, because it's linked to the point that I mentioned in the tax (00:30:00) with Belgium that I mentioned before. In Asia, we have a nice improvement from €1.5 billion in the first half to €2.2 billion. And EMEA-LATAM, we are roughly flat. So that's mostly, I would say, that it's coming from countries like Belgium and also from the U.S., but you know that we have also, mostly in the U.S., where it's coming from, it's coming from the VAs, and from the VAs to the net outflows, on the VA side it's a good news in itself. So that our strategy in the U.S. is much more today to have VAs with no guarantees, and the outflows mostly coming from products with guarantees.

Q - Michael Huttner {BIO 1556863 <GO>}

I got it, okay.

A - Gérald Harlin

The next is the solvency. If I well understood, Michael, your question, that do we need something? No. I believe that in the solvency, as I said, we have different elements but we cannot – we give you the main parameters just to give you and to highlight what could be the big moves. But you have always some fluctuation, a point that I didn't mention before, but take the example of the volatility adjuster. You know that the volatility adjuster, it could create some volatility because it's not under our own responsibility, because indeed it's linked to the global market and to the asset allocation of the global market. So it could create some volatility but small volatility. We are speaking from very negligible move, but the trend is there.

And you can trust me, all the sensitivities that you have, they are reliable. And you can use this in order to have a good view on where our solvency will be. At the same time, the operating return, when we say it's between 15% and 20%, is still true, and I can confirm it, and I've absolutely no doubt about it. So, that's what I can tell you. No, you don't miss anything, but there are always some few elements. I highlighted the fact that in the operating return, I repeat that in the operating return, we include our management case assumptions in term of market improvement.

The third question was about non-life. Two elements that I wanted to highlight. Turkey, so yes, in Turkey, as I said before, we have in motor, these third-party liability price drops that have been improved. It's quite drastic because it's 35% decline. We have been decreasing our market share as this concern individual and commercial motor. We have been decreasing our market share on TPL. Now, it's 7%, 8% roughly. But we take the opportunity of the market, which is not so bad on the other line. And these other lines being Kasko for example. So in the end (00:33:29) we can consider that we have a headwind for sure, but we have ways progressively to compensate it. And we believe that Turkey is quite an attractive market where we are and where we have a market share and when we want to keep this market share, but being a bit more selective in our market share depending on the price.

On DIRECT, which was your last question, keeping in mind that DIRECT has been hit by Ogden. In other words, we have been among the first one to increase our prices in order to compensate the Ogden effect, because what is key for us is to keep our profitability. And so that this had a negative impact on the top-line on DIRECT (00:34:25). That's mostly it. And that's why on DIRECT we are roughly at zero on average.

Q - Michael Huttner {BIO 1556863 <GO>}

Brilliant. That's very good. Thank you so much.

Operator

Okay. We're now over to Autonomous Research and Andrew Crean. Please go ahead.

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

Good morning. Three questions, if I can. Firstly, I think there's been some European weather particularly in late September-October. I wonder whether you could comment on that. Secondly, there was quite a lot of rumors in the third quarter by AXA IM. Could you tell us some of your views about retaining majority control over the investment management to your in-house assets? And thirdly, there are a series of corporate tax proposals both in France and in the U.S. overnight. I wonder whether you could give us your first initial reflections on how those might impact AXA's overall tax rate.

A - Gérald Harlin

Okay. About European weather, I would answer what I said before. So, that means that it's part of – it's within the boundaries for attritional losses. And nothing specific and no negative impact on that side.

The rumors, the rumors on AXA IM, what I could say, Andrew, is that in the Asset Management business there have been a lot of discussions across the board, I can say. And this has been for us the opportunity to ask ourselves about AXA IM, how we should position AXA IM and our choice is crystal clear, taking into account the signs of AXA IM, what it brings in terms of opportunities for investment but also in terms of contribution to earnings to the AXA Group. We wish that our (00:36:34) will stay independent. So, that's quite clear. We want AXA IM to stay independent. And that's it. So, that means that the rumors are what they are. But my answer I believe is clear.

About the tax. I'll be less clear about the tax because (00:36:59). And as you can imagine, there are two points, because – first the U.S. because U.S. they are positive, negatives. You read it like I did. It's far too early to tell you what will be the impact. Second, about France. About France it's a completely different topic, and you know that yesterday, we got a note from the government I think (00:37:33) that this is a proposal. This proposal has not been voted or debated by the PMs – by the MPs. So, that means that it's, again, too early to give you any hint of this impact for us.

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

Okay. Thank you.

Operator

We're now over to Macquarie and Andy Hughes. Please do go ahead.

Q - Andy Hughes {BIO 15036395 <GO>}

Hi. Thank you very much. Three questions, if I could. The first one is perhaps an easy one. On the growth in French commercial non-motor, which you're saying is cross-selling. Presumably, we don't continue to grow cross-selling forever, so your short-term bump from cross-selling to existing customers and then that kind of goes away. Or are you saying that's kind of a structural growth area for you, the cross-selling to existing customers? Second question is, I guess trying to clear out what's going on with the solvency ratio in the quarter. I guess you're saying part of it was adverse movements in (00:38:41) and part of it was FX. Could you maybe give us a constant FX number for what it would have been in the quarter had you not have the FX movements?

And the third question is related to that. So, one of my key concerns is that 200% of AXA sounds great, but it's not 200%. It's actually more like 140% at each local entity. And the fact that the solvency ratios are sensitive to FX rates, tells me that most of the surplus is not sitting in Europe. If there is any surplus, it's actually sitting in sort of Switzerland, or U.S., or places that's hard to get to. So, maybe you could tell us why you think the 200% is the right ratio to look at and not the local solvency ratio? Thank you very much.

A - Gérald Harlin

Yes. As far as commercial motor is concerned, yes, we are progressing on the cross-sell because it's our strategy. And as I said, that's the reason why we have good figures because we are plus 3% in terms of cross-sell. Cross-sell, generally speaking, is not selling motor. So the first contract is very often a motor contract, increasing the commercial. That's often the case we've been seeing. And then we expand it to property, and we expand it to liability, and that's our strategy, and that's the reason why we are plus 3%. So, it's in line with what we presented a bit more than one year ago when we presented our plan. And the contract and we consider that we have still room for improvement on that side.

As far the your FX, yeah, the Solvency II FX, I cannot give you a precise figure, but, look, we are speaking about what is at stake? What is at stake is maybe 1 point, 2 points. So, I could tell you that the FX impact has been roughly 2 points, between 1 and 2 points, and that will give you a more precise idea.

Q - Andy Hughes {BIO 15036395 <GO>}

No. It wasn't really the quantum of the FX movement that worried me, it was more the fact that it was indicating where the surplus capital was or was not.

A - Gérald Harlin

I'm sorry, I didn't – again, the line is poor and I didn't catch your question. I'm really sorry.

Q - Andy Hughes {BIO 15036395 <GO>}

Yeah. No. No. My main point by the FX is not that it's 2 percentage points. It's the fact that 2 percentage points were not a huge movement in currencies which tells me that most of – if there is any surplus to AXA Group, a lot of it isn't in euros sitting in the center. A lot of it is in perhaps the U.S. or other regions.

A - Gérald Harlin

Okay. But we have surpluses in other countries, in the U.S., roughly speaking. And it goes back to your second question. That means that we have surpluses in the U.S., we have surpluses in Asia, we have surpluses also in Switzerland. Don't you know in Switzerland, there has been a big move in the Swiss franc because we move from half year CHF 1.04 to CHF 1.16. So, it's a significant move. And you know that Switzerland is a strong contributor to earnings but also to the shareholders' equity. So that's mostly it. We had, over this period, a very, very strong move in term of equities since the end of September. As you know, we had a recovery of, a slight recovery of the U.S. dollar. But that's mainly coming from these currencies.

About your question, I believe that we should not make - confuse the 200% is an average consolidated number. So, you cannot compare the consolidated number with solo. That means that if on the solo basis, we are between 130% and 150%, depending on the different entity, where is it coming from? It's only because it's our interest, it's your interest, the interest of shareholders to have the maximum cash which is remitted to the holding company. In other words, so 200% is a real consolidated figure which is I would say which reflects the solvency and the strong solvency of our group and we are among the best capitalized companies compared to our peers.

And when you have a look at the solo company, what we decided to do and we have been very clear on the strategy that we run that means that we want to protect ourselves against a one in 20-year shock, that's why we are not at 100% but much more at between 130% and 150%. And all the rest it's upstream to the holding company. That's the way it works. So it's not about the 200% corresponds to a reality which means the consolidated AFR of the group.

Q - Andy Hughes {BIO 15036395 <GO>}

And I understand what you're saying. But the reason I can't get that to square it is why - if the surplus capital is at the group, why is the surplus capital so sensitive to FX?

A - Gérald Harlin

It's sensitive to FX because you know that we have only - okay, let's move to the hedging, we have a hedging strategy at the group level. But this hedging strategy is not - we don't hedge 100% of our AFR in the non-euro countries. We hedge roughly speaking 30%, which means that so long as it's 30%, you have an unhedged part which is quite significant. So that's mostly it.

Q - Andy Hughes {BIO 15036395 <GO>}

Okay. Let's take this offline because I thought the currencies went the other way. So yeah, I think we can discuss it offline. Thank you.

Operator

Okay. Before we go on to Andrew Sinclair at Bank of America Merrill Lynch, . And while we're waiting for any further questions, Andrew, over to you.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thanks, and good morning, team. I'm just going to ask two questions if that's okay. Firstly is on Turkey. I know you've given us quite a lot of detail here. But just wonder when would you expect Turkey to be settling down to a new normal position after the business feeds (00:46:00) through. And secondly, you mentioned briefly U.S. DOL impact. I just wonder if you could give us an update on what distributor activity has been like in recent months after the most recent announcements through the summer. Thanks.

A - Gérald Harlin

Okay. About Turkey, what I can tell you is that, yes, it's been a feat. If you remember that we had problems in the past due to the bodily injury and the fact that most of, let's say, almost 80% of our - 75% roughly of our policyholders who have been subject to bodily injury were suing us. We recapitalized, and we increased our reserves in the past, and this is something which is, I would say, behind us. I hope that - but I'm almost sure that it's behind us. And the developments are quite in-line with what we expected, so this is fine.

This is a new event but at the same time, I should tell you that roughly speaking, we have the possibility to increase the prices by a bit more than 1% per month, which means that in the end, this is minus 35% that I flagged in my introductions, that means that is drop in TPL prices means that we are 35% below our initial price. Nevertheless, it's not forever.

So the combination of the fact that we decreased our market share but at the same time we are increasing our market share in Kasko where we have a nice profitability, it makes me comfortable in our capacity to have good return in the future. At the same time, you should keep in mind that this is bad news for Turkey but keep in mind at the same time that the interest rates are at 8% which means that the 8% is quite strong in term of returns. So compared with the other countries where you can see obviously today the investment return, the investment income is small compared with the technical profitability. Here, it's much more balanced. So all these reasons makes that we are quite positive in the long run on Turkey.

U.S. DOL. As far as the U.S. DOL is concerned, I would say that we went through the phase one, which means that phase one of the rule went into effect in June this year. And the phase two implementation has been postponed, so it will come into focus only in July 2019. So it's not immediate.

So I think that our advisors can go on selling variable and indexed annuities with commission rather than switching to a pure fee-based model. So I could say that like the rest of the market, we had a slight decline in our production and that's something that we already announced. And we said that the rule would have some negative impact on sales in the near-term to medium-term. And there is no change on that side. And it's in-line with the guidance that we gave you about the impact. That's what I can tell you now.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thank you very much. Much appreciated.

Operator

Okay. We have a brace of questions in the queue. The first one is back to the line of Michael Huttner at JPMorgan. Please go ahead.

Q - Michael Huttner {BIO 1556863 <GO>}

Thank you. Thanks a lot for this opportunity. I just wondered if you could talk a bit about the good news in the numbers, which is the Asset Management, the 5% rise in average assets or 7% rise in revenues. Maybe you could make a slight distinction between the trends in AXA IM and AllianceBernstein get a feel for where the particular strength is? Thank you.

A - Gérald Harlin

Yes. I believe that what I can tell you is that if I compare what we did in the first half with the nine months, and if I focus Michael on the third quarter, which is I believe your question, so, in the third quarter for those entities we had positive inflows. So, that means that in H1, AB was at €4 billion excluding the JV. And it moved to €8 billion, so plus €4 billion. AXA IM went from plus €1 billion to plus €3 billion, plus €2 billion. And we can say that for AXA IM, it's mostly on the institutional side. And we could say that for AB, we had positive on the retail. We were quite good on the retail side which explains why in the end in terms of revenues where AXA IM is at plus €4 billion. AB is at plus €8 billion because we have the combination of this net inflow market appreciation plus the mix which slightly improved, due to these inflows coming mostly on the retail side.

It's really a good news. And I could say that AB is doing extremely well, and you notice guys (00:52:21) that the stock price went up. We are above €26 which reflects its good performance, and because of both, I could say that our asset management in our group is doing extremely well.

Q - Michael Huttner {BIO 1556863 <GO>}

Gérald, thank you.

Operator

Okay. Our final question in the queue is over the line of Pierre Chedeville at Crédit Mutuel-CIC. Please go ahead, sir. Your line is open.

Q - Pierre Chedeville {BIO 15076220 <GO>}

Yes. Good morning. Just a quick question left. Recently, BNP has announced the IPO of a joint venture in India in the insurance business with SBI Life, with a fee 70 (00:52:59), which is a very high level. And in that context, BNP had a very significant capital gain. And I was wondering if this kind of reflection regarding your joint ventures in Asia could be a good idea to just to have a capital gain and to really appreciate sum-of-the-part valuation of the stock of AXA. And just to conclude, BNP only gave a small amount of capital, it's 4%. So, it did not dis-invest in India, it's just exteriorizing value. What is your view on that operation and then your own case because you have many joint ventures in Asia? Thank you very much.

A - Gérald Harlin

Yeah. What I could say that first is to highlight to the fact that this JV is a lot of value.

Q - Pierre Chedeville {BIO 15076220 <GO>}

Yes, indeed.

A - Gérald Harlin

We have, you mentioned India, but we have a lot of JVs in Indonesia, in Thailand. Keep in mind that as far as India is concerned, the FDI cap has been lifted, which means that quite recently we moved to 49%. At the same time, I could say that compared with SBI that you mentioned, we are a less mature entity. We started later, so that means that it's a growing company but it's not at a stage where we could say that we get the best of it and it's the right time to IPO this company. We are not there yet, quite hopeful. We have a good partnership with the Bharti Group in both life and non-life. And we want to develop it (00:55:14) some time and we are confident that we will develop it within the next years. And after we will see.

Q - Pierre Chedeville {BIO 15076220 <GO>}

Okay. Thank you very much.

Operator

And that was the ultimate question on today's call. May I please pass it back to you for any closing comments at this stage?

A - Gérald Harlin

Okay. So, I thank you very much. So, as you know we have – will see us quite soon because we have an IR day on the 14th of November and I'll be pleased to see you on that day.

Operator

This does now conclude today's call. So, thank you all very much for attending. And you can now disconnect your lines.

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