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The results of our U.S. segment are presented herein on the basis of IFRS and are not, and should not be relied upon as representing, the U.S. GAAP results of AXA Equitable Holdings, Inc. (“AEH”) (including AllianceBernstein), which, as a U.S. public company, reports in U.S. GAAP in accordance with the rules of the U.S. Securities and Exchange Commission (“SEC”). For further information on AEH’s financial results and other public reports please consult the SEC website at www.sec.gov.
Good morning everybody, and welcome to AXA’s conference call on our activity indicators for the first nine months of 2018.

I am pleased to welcome Gerald Harlin, our Deputy CEO and Group CFO, who will be taking you through the highlights of the release and will be very happy to take your questions afterwards. Gérald, I hand over to you.

Gérald Harlin, Deputy CEO and Group CFO, AXA

Thank you Andrew. Hello and good morning to all. Thank you for joining the call.

As you can see, AXA has delivered another strong performance for the first 9 months of 2018. Topline growth is accelerating compared to half-year 2018, with total gross revenues up 4% at Group level. We grew in all five geographies and across all our business lines.

This overall strong growth was notably driven by our preferred segments with Health revenues up 7%, Protection APE up 10%, and P&C Commercial lines revenues up 2%.

Our balance sheet remains very strong with a Solvency II ratio at 195% including the impact from the XL acquisition, in line with our guidance of 190%-200% for FY18 and well within our target range of 170%-230%.

Let me now take you through the details for each of our geographies.

First in France, we recorded an excellent first nine months, with revenues increasing by 5%. APE was up 18% with a strong performance in Health, up 53%, and Protection up 7%, both from strong growth in Group business, as well as G/A Savings +9% from higher sales of capital light products, in line with our strategy. P&C revenues in France were slightly down, at -1%, mostly due to continued market competition in Personal lines.

In Europe, total revenues grew by 3%. We continue to see the successful business repositioning towards preferred segments, with Health revenues +4%, Protection APE +8% and P&C Commercial lines +3%. Europe APE grew strongly, +7%, mainly driven by continued recovery in Italy from higher sales in capital light General Account Savings and Unit-Linked through our JV with MPS. Protection was also up 8% notably from higher sales of semi-autonomous products in Switzerland.

Moving to Asia now. We continue to see two major trends in the region: On the one hand, our Asian current engines are doing very well with new business strongly up in Japan and in Hong Kong, due to successful Protection and G/A Savings product launches respectively, in the first quarter of 2018. On the other hand, we are disciplined in improving our business mix in high potentials, especially in China. As you know, in China, we are moving away from short-term single premium products and focusing towards more profitable regular premium protection products, and hence improving our NBV margin.
In the US, we recorded a good profitable growth in the first nine months of 2018 in both Life & Savings and at AB. APE was up 6% from higher advisory sales in mutual funds, and in Protection +9%, combined with a strong recovery in Unit-Linked sales in the third quarter (+17%) mostly from higher sales of non-GMxB Variable Annuity. AB revenues were up by 9% from both higher average AuM and higher management fee basis points due to an improved business mix.

In International, revenues were up 4% mainly driven by good performance in P&C, +4%, and Health, +11%, especially in Mexico.

In AXA IM, revenues were up 4% driven by higher performance fees and transaction fees. In terms of flows, the positive third-party net inflows of Euro 3 billion, despite the loss of a large mandate, were more than offset by outflows from Asian JVs of Euro -6 billion.

In the third quarter, we closed the acquisition of XL Group, a key milestone for the Group. We will be fully consolidating XL Group from October 1st as part of a new segment named AXA XL, gathering XL Group, AXA CS, AXA Art and AXA Matrix.

As for the whole market, the level of Nat Cat was significant in Q3 and Q4 to date and we wanted to bring some transparency about the associated claims at XL and the accounting treatment in the context of the acquisition.

Hurricane Michael occurred in October in the US. At this early stage, a preliminary estimate for associated claims is ca. Euro 200 million pre-tax and net of reinsurance. We consider the P&L impact of this event as immaterial at Group level. The impact corresponds to roughly twice the typical Cat charge for a fourth quarter. Since this event occurred in Q4, it will be reflected in AXA Group’s consolidated P&L in FY18.

During the third quarter, several Nat Cat occurred, including typhoon Mangkhut in Hong Kong, typhoon Jebi in Japan, hurricane Florence in the US, typhoon Trami in Japan and a number of convective storms in North America. These events are estimated to result in claims of ca. Euro 300 million before tax and net of reinsurance. Here again, this corresponds to roughly twice the typical Cat charge for a third quarter. Since these events occurred prior to October 1st, they will be reflected in shareholders’ equity in accordance with purchase GAAP methodology.

Now moving on to Solvency II ratio, which as I mentioned earlier was at 195%. This is fully in line with our guidance of being in the 190%-200% target by the end of the year 2018. The 38 pts decrease versus June is driven by the following items: +2 to 3 pts from our strong operating return net of accrued dividend; ca. +6 points from the purchase of additional equity hedges and the remainder mostly from the closing of the acquisition of XL.

So, to conclude, AXA recorded a very strong first nine months of the year, with continued topline growth in all our geographies and lines of businesses. Our balance sheet remains very robust, with a Solvency II ratio at 195%, well within our target range for end-2018 of 190% to 200%.

I am now ready to take your questions.
Q&A SESSION

Operator  [Operator instructions] We have our first question coming from Colm Kelly from UBS. Sir, please go ahead.

Colm Kelly | UBS Thank you. Thanks for taking my questions. Three questions please. Firstly on the XL loss estimates, can you just detail the market share of industry insured losses that you’re assuming or expecting based on those estimates? The market shares appear to look at least a tinge high than they did for the HIM losses last year. And I know you did take some actions in terms of retrocession to reduce the loss volatility and its elevations versus last year. But again, the market shares of these losses appear elevated again. So, maybe can you give some detail on that and any further actions you may be taking vis-à-vis retrocession from here?

On the revenue growth, obviously a good growth in the quarter driven strongly by the U.S. business up 13% year-on-year. Can you give some detail on the underlying drivers of that in terms of the products? How cyclical is the revenue growth in that business? How linked to the S&P? How sustainable is it in terms of future growth?

And then lastly on the U.S. Life business. Obviously, the Life Mutual Fund flows are very strong but the AB, the Asset Management net flows are quite weak. I appreciate that it’s not like-for-like, but maybe can you provide detail on the, why there’s a large directional difference between the flows between the Life and the Asset Management business in the U.S. Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. Starting with your first question. I could say that roughly speaking our market share is 1.5%. So, and I would say across the board, that’s roughly what I can say. About the the volatility, maybe a few words because I believe it’s important to just to let you understand as a follow-up of what I presented for half year 2018.

At that time, you remember that we said that, we presented Natural events in excess of normalized events. And the average Nat Cat events, costs per tax for the whole AXA Group is Euro 1 billion. And what we presented in June, was the fact that in 1 in 10 years, negative deviation would be Euro 0.5 billion in 1 in 10 years. In 1 in 50 years, Euro 0.8 billion. And you remember that at that time, we compared it with the – before underwriting action before these aggregate protection that we bought. And at that time, before all these measures, the 1 in 10 years deviation was Euro 1 billion and 1 in 50 years was Euro 1.6 billion.

So, that means that we significantly decreased these deviation mostly through this aggregate. And just to explain that so long as in Q3 this year, we have Euro 300 million of cash loss and Euro 200 million in Q4 corresponding to Michael. I said that it’s roughly twice the norm, that means that the negative deviation is roughly Euro 150 million for the Q3 and Euro 100 million for Q4. The total is Euro 250 million and you can see and notice that the Euro 250 million is below the Euro 500 million deviation, which is a kind of gap. That’s just to explain why, just for you in – last info, I believe it’s important to keep this in mind. Last year, in Q3, the total Cat amounted to Euro 1.5 billion.

So, clearly the objective of all the measures we took in order to reduce the volatility coming from the Cat losses was mostly aimed at reducing the maximum loss in case of very severe Cat losses. Here, we are in the case of
where we are below, I would say, the aggregate. That's what I can tell you for the last part of your questions do we take further action, yes, for sure. And you can imagine that our objective is to get a better balance and to monitor even better our volatility, and you can expect that we will discuss this – we will further discuss this at the IR Day at the end of the present month.

Your second question was relative to the U.S. And what I can tell you is that in the U.S. the third quarter APE increased by 13% in the third quarter, and it's mostly from Unit-Linked. And in Unit-Linked we are plus 17% quarter-on-quarter, and it's mostly higher sales and non-GMxB Unit-Linked product with more sales in SCS which is individual retirement product and also in Group retirement. So, it was indeed a very good quarter. And for the time being you know that there is an acceleration, which is quite noticeable, of our business.

Colm Kelly | UBS Just to follow up in terms of that acceleration. Obviously, the linear gross is 3.7% on the comparable basis. I mean, given the strong Unit-Linked component to the growth in this quarter and given where the linkage to the S&P, I mean how sustainable should we be thinking about that growth beyond this year?

Gérald Harlin | Deputy CEO and Group CFO, AXA No. Because in the U.S. it’s not only linked to this equity-linked products. It’s also linked to Protection. And we made a significant increase in Protection in the U.S. So I would say that for sure we have and we are dependent on the global market but not over reliant on this equity market.

Colm Kelly | UBS Okay. Thanks. And then just lastly to clarify the deviation between the strong U.S. Life flows and the weaker Asset Management flows, I mean AB.

Gérald Harlin | Deputy CEO and Group CFO, AXA Yes. So weaker Asset Management flows, I’m not worried at all by this because indeed we dropped in the Institutional segments and we increased in the Individual, which means that business mix improved. As you know, we have higher fees on Individuals. And this indeed makes our business mix better and that’s the reason why we have a strong growth in terms of top line. So I’m not at all worried by this trend, not at all.

Colm Kelly | UBS Okay. Thank you.

Operator Next question comes from Peter Eliot from Kepler Cheuvreux. Sir, please go ahead.

Peter Eliot | Kepler Cheuvreux This is Peter. The first one, if I could just follow up a little bit on that XL topic.

So my understanding from what you just said is that the – if you had not taken the steps that you have taken on the protection, then the deviation would have been about twice as high, i.e. the losses would have been about 50% higher. I was wondering if you could just sort of confirm whether that understanding is correct. And secondly, your comments on you don’t want to take further action, just wondering have the events sort of Q3 and Q4 caused a slight change of views there because I was sort of under the impression that most of the actions that you felt you need to take on protection had already been taken, if you can clarify that.

And then the second area, I just wanted to ask on the solvency ratio. I just wondered if you can help me understand why the purchase of hedges have had such a large impact? I mean, if I look at your sensitivities to
markets, it's now very low. So I'm just struggling to understand the size of the benefits and also whether there's much more this sort of thing that you can do in the future? Thanks so much.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Okay, Peter. So let's start by your first question.

What I said is not that we would have experienced a much bigger losses – much bigger losses if we wouldn't have taken these measures that I briefly described. No, because it's an aggregate, which means that an aggregate makes that, as I said, it's a way to cap our Cat losses to roughly at the Group level i.e. Euro 0.5 billion to Euro 0.6 billion. So it's almost flat between 1 in 10 years and 1 in 50 years. So in other words, we are below this threshold and I took the example of last year because obviously last year we experienced, XL experienced, in Q3 very strong losses, but for the time being, it's a lot of individual Cat events which are quite severe, but the accumulation is below the threshold of Euro 500 million. And again, so Euro 500 million is at the Group level. It's not for XL only. But at the same time, you can see and you are aware that as well in our Group, we did not experience so much Cat losses, which is also the beauty of the model because it confirms the strong diversification that it can bring out at our level.

The second question that you raised is about our business and that will it lead us to revise the way manage or perception of the business. Not at all.

I would say that we consider that, at the Group level, it will bring some more volatility, but this volatility will be contained. Why? Because this kind of business which is property Cat, is quite profitable over the cycle and it doesn't change our state of mind. What we've been trying of course is a better balance in terms of risk appetite between these different lines of business.

Last is Solvency II. The way I could explain it is the following: you know that we decided two figures, but just for you to understand, we decided to hedge a bit more than Euro 3 billion of equities with a bit more than two years put with a strike at 85%. The cost of such hedging is roughly Euro 100 million after tax for a bit more than two years, and the amount of equity, the amount of corresponding AFR\(^1\) to this 6 points is Euro 1.5 billion. So if you divide the cost, Euro 100 million for two years, i.e., roughly Euro 50 million for one year, divided by this Euro 1.5 billion, it makes a cost of capital which is extremely low because we end up with 4%. Where does it come from? It comes from the fact that the volatility is extremely low and it is exactly the same reason as the one I explained previously in the year. It's the time where the volatility, making the price of option pretty low, and the expectation of equity market rise our relatively small, look at the S&P performed by plus 4% since the beginning of the year. It makes that it's quite relevant and quite effective in terms of capital management to buy such put. I hope I've been clear, but I wanted to just to be clear why we did this.

**Peter Eliot | Kepler Cheuvreau** Thanks. That's very clear. Thank you.

**Operator** Next question comes from James Shuck from Citi. Sir, please go ahead.

\(^1\) During the call, it was mentioned as “capital” instead of “AFR” which has been corrected here in the transcript.
Hi. Good morning. So I’m going to go back to XL large losses again please.

Just in terms of the normal run rate, I mean I think you've been quite clear, Gérald, but the normal run rate for both AXA and XL combined is around Euro 1 billion level. And that’s a net of tax number. I think you disclosed that at the half year, but based on the 10-year previous averages, and then obviously you have the aggregate cover that you just mentioned as well which protects against that. But it does seem from the comments that you’ve said in Q3 and in Q4 that the – there’s a Euro 500 million or so relating to XL hasn't actually come down at all. It's still kind of running in line with that previous have actually come down at all. It's still kind of running in line with that previous 10-year average. So, my question really is I appreciate you protecting against the tail risk events, but do you actually expect that normal run rate to trend down? Are you happy with running that kind of Euro 1 billion total level number or is that something you’d like to manage down in the context of the AXA Group because its about 15% of your total pre-tax earnings which seems quite a large number?

Second question is around the – could you just update a little bit in terms of Q3 man-made large losses? There’s been no comment outside of the Nat Cats. I’m also interested in terms of has there been any prior year of reserve development from XL in Q3 because I think Q2 saw negative development on Nat Cat? So, just interested to see whether Nat Cat has continued to develop unfavorably, and if you could update also on any casualty trends that we’ve seen in the quarter please?

And final question just a quick one really is around Asia. I guess two points within this. One is that the Asia high potentials life new business value slowed down quite remarkably in Q3. So, new business value is up 17% H1, 9 months it was only up 4%. So, just clarify this around that.

And Asia P&C where you’ve made a number of acquisitions over the years, including HSBC and Tiang Ping and other things. Asia P&C just seems to be keep declining year after year and that’s continued into a nine-month stage. And the revenue numbers now kind of running below Euro 1 billion and you probably spent Euro 1 billion in acquisitions in that region in Asia P&C. So, if you could just update on what the problem is there please.
it's mostly coming from the – from China. I remind you that at the beginning of the year, it's been announced, a new regulatory requirement, that's been enforced in April. And according to these new regulatory requirements, all the insurers are required not to sell distorted maturity products, meaning, fake long-term products that could be surrendered extremely quickly. And at the same time, it's mandatory now that each product's tangible embedded value should be positive. So, all of these is more good news than bad news. So, of course, it has a depressing impact on the top line. But it's extremely good for our profitability.

Last is about Asia P&C. You are right. That means that it's coming from the motor business in Korea. As you know, we have been facing – as you may know, we have been facing tough competition in this market and we have focused our efforts on writing more profitable long-term products. So that's mostly it. Nevertheless, I just would like to highlight the fact that in terms of top line, Asia high potential correspond to Euro 44² million out of the total P&C business of Euro 25 billion. So, it's extremely small. This is the drop, but you know that our Korean business is small.

James Shuck | Citi Okay. Thank you very much, Gérald.

Operator Next question comes from Andrew Sinclair from Bank of America. Sir, please go ahead.

Andy Sinclair | Bank of Americal Merrill Lynch Good morning, everyone. Thanks. I'm actually going to ask questions three questions that are not about XL. So, firstly, on the Unit-Linked sales in France, they've slowed a little bit again on APE basis. I think they are now down 7% year-on-year on APE basis. Just wonder if you can give us any color there.

Secondly, Protection sales have been very strong particularly in Japan with a new product. In France where we've seen a big year-on-year jump. Can you just give us any more color on that in France and how much of the Japan jump do you think are one-off for the new product launch and how much of that will continue?

And thirdly, just kind of again on Asia. Could you explain some of the moves that you've seen in Hong Kong. You've seen a bit of a step up from a new G/A savings product but lower Protection sales that seems to go against the grain a little bit. Just wondered if you could give us any more detail there. Thanks. [pause] Hello?

Gérald Harlin | Deputy CEO and Group CFO, AXA Can you hear me? Okay. Sorry.

Andy Sinclair | Bank of Americal Merrill Lynch Yes.

Gérald Harlin | Deputy CEO and Group CFO, AXA I said that as far as France is concerned, we have a decline of 7% in Unit-Linked APE, but it's mostly coming from lower Group pension business. So this business tends to be lumpy in comparison with Individual business. But Unit-Linked APE was up 2% so which is the relatively good. So Individual business performed quite well. And I can say that our Unit-Linked rate remains higher than the market average. We still remain at 41% versus 31% for the rest of the market. So really we performed quite well in Unit-

² During the call, Asia high potential P&C contribution was mentioned to be at “Euro 113 million”, instead of “Euro 44 million”. This has been corrected here in the transcript.
Linked business. And you should not consider that this decline in the Unit-Linked business is a poor sign as far as our individual business is concerned.

And then you have a question about Japan. Yes, for sure in Japan we did quite well. We had a good protection business. You know that in Japan, most of our business is in Protection and Health, and it confirms our ability to grow our business even in a country which is considered as a mature country. It’s important. And it makes even more relevant our strategy at the Group level which states that we should develop Protection, Health and Commercial lines. Here, we are ticking two boxes, in Japan, which is an excellent sign for our strategy and for the rest of the Group, which as you know, is a strong foothold in mature market where the need for Protection and Health are growing and growing.

The last question is about Hong Kong and it’s a new product called Harvest. It’s a savings product, so maybe you remember that previously we said that these products was lacking and it was important to have a savings product which is attracting our policyholders. It’s a way, at the same time, to cross-sell other product. So yes, we did quite well in Hong Kong and that explains our quite good performance in Hong Kong since we have APE at plus 5%.

Andy Sinclair | Bank of Americal Merrill Lynch Sorry. Just following up and going back to Japan again, so in constant set, you can still grow Japan in 2019. We’re not going to see a basis effect say just from the launch of this product. You are still confident in growing up protection sales next year?

Gérald Harlin | Deputy CEO and Group CFO, AXA We will see. It’s difficult to anticipate. Nevertheless, we should still benefit from this product in 2019, that’s what I can tell you.


Operator Next question comes from Johnny Vo from Goldman Sachs. Sir, please go ahead.

Johnny Vo | Goldman Sachs Yes. Thank you very much. Yeah. Just a couple of questions. Just again – sorry about this Gérald, just asking about the cover that you have, both from a peak and aggregate basis on the XL business. Can you just give us more color, I know you probably given this before, but more color on the attachment point and how that moves through? That’s the first question.

The second question is just in regards to the options that you purchased in Q1, the put options in the Holding company. I mean, are they in the money at the moment? And can you tell me the chag in value of those options in the Holding company?

And the third question is just, can you tell me now with the new options purchased in this quarter, what your net exposure to equities is overall for the Group? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. Let’s start with the first part of your question, which is the attachment point. I believe that the best for you is to go back to page A31 of our end of June result’s presentation and you can see that indeed, we have roughly – I would say an average expected loss of Euro 1 billion and the deviation will be limited to Euro 0.5 billion in 1 in 10 years and Euro 0.8 billion in 1 in 50 years. So
again, what I explained is that we are below this threshold at the Group level, due to the combination of the fact that we were below at the level of XL because Euro 150 million plus Euro 100 million deviation means Euro 250 million. Taking into account and adding the Euro 250 million to the existing Cat losses deviation, which is close to zero at the Group level, because at the Group level, on Europe and on windstorms and so on, we are quite benign and in line with the expectations, meant that roughly we are, to make it simple, we are below the Euro 500 million threshold. I hope I'm clear, but it's – that's exactly the way it works. The second question is about this – about the...

Johnny Vo | Goldman Sachs …the put option

Gérald Harlin | Deputy CEO and Group CFO, AXA …equity put option. So, this, we were at the time we put, you remember that we said that these options were at 80%-85%. We were at ca. 3 500 (Eurostoox50 level) at the time of the inception and now we are at 3 200 (Eurostoox50 level). So, meaning that we dropped by 10%, which means that roughly speaking, instead of being 15% out of the money, we should be at 5% roughly out of the money. That's more or less the what you can keep in mind.

Johnny Vo | Goldman Sachs But what is the change in value of that option?

Gérald Harlin | Deputy CEO and Group CFO, AXA The change in value of that option…we had a decline in the value of money, meaning that, roughly speaking it's more or less in line with the price we paid at the time of – at the origin. So, because we gained in term of moneyness but we lost in terms of time value of money, but we are not speaking about large amounts. And your last question, sorry, Johnny, I don't – it was –

Johnny Vo | Goldman Sachs Yeah. What's the net equity exposure of the Group now given the new hedging you put in place?

Gérald Harlin | Deputy CEO and Group CFO, AXA Roughly speaking the net equity exposure of the Group today, taking into account these options, should be roughly Euro 6 billion net, roughly speaking, net.

Johnny Vo | Goldman Sachs Okay.

Gérald Harlin | Deputy CEO and Group CFO, AXA Net exposure.


Gérald Harlin | Deputy CEO and Group CFO, AXA Thanks.

Operator Next question comes from Michael Huttner from J.P. Morgan. Sir, please, go ahead.

Michael Huttner | J.P. Morgan Fantastic. Thank you so much. My questions really are mainly on two things: one the solvency, and two the Nat Cat.

The Nat Cat figure, I'm a little bit intrigued by, so SCOR which is a specialist reinsurer, so it's a slightly different business, but they have raised their estimates or their budget if you will for Nat Cats from 6% to 6.5%. In your presentation, you used the 12-year average of Euro 1 billion for the combined Group, which kind of implies that you're kind of thinking, well, actually the world hasn't change or world is not changing, Euro 1 billion as the right
figure. This is the bit which I’m a little bit uncomfortable with, particularly given the results we’re seeing, you know, also from other groups which are not good. It’s not AXA which is under pressure here. It’s just Nat Cat seems to be accumulating and using an old figures seems to be a little bit – maybe not fully prudent. So, I wondered what your thoughts are on that and whether…The second is on the aggregate cover, how much more losses do you need to actually hit the point where it’s fully capped?

And then, the final point on the 195%, the moving parts as I understand, 6 points from these equities hedges, slightly better than expected run rate of operating profit and the reduction, as I see it, from the aggregate cover. I just wondered whether you could give us a little bit more of a feel for the aggregate benefit in terms of solvency ratio, the fact that you’ve put that in place, and also maybe a few words or some kind of feeling for this slightly better than expected run rate profit contribution from normal operating profit in Q3? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. Yes. On your first question, which is an important one, and which relates to the Euro 1 billion, are we comfortable with the Euro 1 billion, and the answer is yes. And you can imagine that for a company like us, and that I’m sure that we will further develop this at the end of the month for the IR day, you can imagine that it’s a figure that has been under strong scrutiny. So, meaning that, yes, we are comfortable, yes, we consider that Euro 1 billion is quite – is a good level and that Euro 1 billion is sufficient. We don’t believe that we should increase this Euro 1 billion level and all our program and all our reinsurance program is calibrated around this figure. So yes, we are comfortable.

About the Solvency II ratio, the 2 to 3 points, you remember that many times, we said that it could be 5\(^1\) to 10 points net of dividend per year. So yeah, a 2 to 3 points, yes, nothing new I would say on that side. So your question, the other question is quite interesting. What you said is, if I well understood your question, guys that means that your Solvency II ratio benefit from these programs. Yes and no: yes because as you know AXA S.A., I’d say, and all the ex-XL, all are benefitting from the internal model, no on the other side, because we will consolidate up to, most probably the end of 2020, we will consolidate XL, AXA XL through equivalence. So, you remember that the point that I made that we made in March, when we presented this acquisition, we said starting from 2020, end of 2020 most probably, we hope, we’ll move to internal model. And at that time, you remember that we said that we could expect to have a gain 8 to 10 points roughly. So that’s my point.

Michael Huttner | J.P. Morgan And how much of the aggregate cover...

Gérald Harlin | Deputy CEO and Group CFO, AXA Sorry, we said that it would be 5 to 10 points. 5 to 10 points.

Michael Huttner | J.P. Morgan 5 to 10 points. And then on the aggregate cover, how much is left before it attaches? I mean how much more claims you need?

Gérald Harlin | Deputy CEO and Group CFO, AXA No, we are below this level which means that we are mid-November, so we don’t expect to reach this threshold. So that means that, and we still some leeway before

\(^1\) During the call, operating return net of accrued dividend range was mentioned to be “8 to 10 points”, instead of “5 to 10 points”. This has been corrected here in the transcript.
reaching it so that's, you cannot exclude, I would say for the time being, to reach this threshold before the end of the year. But because we still have some room left, you know, a few hundred million.

Michael Huttner | J.P. Morgan A few hundred million. Lovely. Thank you so much.

Gérald Harlin | Deputy CEO and Group CFO, AXA Just let's say, I made the calculation Euro 250 million so Euro 250 million plus the level – the excess for the rest of the Group should be less than Euro 100 million. So you can see most probably we should have Euro 150 million, Euro 200 million less something of this magnitude. I don't have the precise figures but we shouldn't be very far. That's it.

Michael Huttner | J.P. Morgan That's very helpful. Thank you.

Operator Next question comes from Edina Rozinka from Goldman Sachs. Madam, please go ahead.

Edina Rozinka | Goldman Sachs Asset Management Hi, there. Edina Rozinka Goldman Sachs. Just wanted to follow up on the credit side. If you could provide some color on your capital plans, including the 6.463% bond which is a dollar bond. There was an issue on Bloomberg in terms of call announcement. I understand that the call announcement has to be made before 1st of December. So just wondering if you have any color for the investors. Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. So I understand and, obviously, there was an erroneous entry in the U.S. clearing system when the bond was originally issued and this led to speculation in the market regarding the redemption of the Series As fixed to floating rate notes on their first call date which is, as you know, December 14, 2018. As usual, any redemption should we decide to exercise this call would be announced in accordance with the terms and conditions of the relevant notes, i.e., at the latest, 15 calendar days before the first call day, meaning that before November 30th which is not far…and at the same time, I could say that as you know, such a notice would be published on our website. So I'm very sorry for this, but it was not our fault, but it's really a material mistake coming from the U.S. clearing system.

Edina Rozinka | Goldman Sachs Asset Management Okay. So, waiting for the notice on the website, then. Thank you so much.


Operator Next question comes from Farooq Hanif from Credit Suisse. Sir, please go ahead.

Farooq Hanif | Credit Suisse Hi there. Thank you very much. Good morning. Can I just ask about AXA Investment Managers? You've made an announcement this morning about commercial real estate. Can you talk about your ambitions in the U.S. for growing further AXA Investment Managers? And just in terms of the health revenues which were very strong across the Group. Can you talk about the sustainability of its growth rate? Because I realized a lot of this is Group business and could be lumpy. So, could you comment on that as well, please? Thank you.
Okay. About the U.S., yes, we have the ambition. As you know, real estate is a key component of our alternative strategy, I could say. And, what you saw this morning is the acquisition of Quadrant. You know that we are quite strong at AXA IM in corporate real estate loans. And – but we were – our strength was mostly concentrated in Europe. And through this acquisition of Quadrant, it’s a way for us to expand it to the U.S. As you know that it’s interesting not only for the U.S. market, but it could be also interesting for the European market. Why? Because through the FX swap, now that the FX swap are a bit more interesting, I would say, in terms of basis risk – basis spread. Means that to-date, a lot in this very low interest rate environment, developing ourselves in the real estate loan sector is quite attractive. I remind you that we are number one in terms of real estate in Europe. That’s for the first part.

About Health, what I can say, relative to Health, is the fact that it’s quite interesting. If you go into the press release on page 10, it’s quite interesting to just have a look at the roughly Euro 10 billion of revenues coming from the Health side. And you can see that it’s not, and that makes me quite optimistic, because it’s not relying on one country, it’s across the board. Look, France 12%, Europe 4%, Asia plus 3%, International plus 11%. So, we have only United States, but it’s very small, it’s Euro 40 million. Across the board I would say that we have a strategy which consist in developing new product across the board. Maybe the only exception is Germany, and you know why, it’s due to last year in 2017 where we had exceptional new sales in long-term care and it's also due to the political situation in Germany mostly in the first half. So, beyond this, I would say that all the countries are faring quite well. We have a competitive advantage because we are much bigger than our immediate competitors like Allianz, Generali, Zurich. So, it’s – we have a really good position there and that we develop organically quite actively.

Can I just have one follow-up question if you don’t mind.

I said – no, I corrected it. I’m sorry. I just said that what it was between 5 and 10 points. Between 5 and 10 points benefit that will come from the internal models, at the time we will move from this equivalence to internal model.
Andrew Crean | Autonomous Just one question. I didn’t quite understand why in the third quarter when the stock markets globally went up, you get a 6 point hedge gain. I think markets have gone down about 6% since September. What will be the impact of your hedges on the fourth quarter?

Gérald Harlin | Deputy CEO and Group CFO, AXA You mean in terms of – so, different points there. First of all, I could say that the gain will flow through the net income for the earnings, first point.

Second point, the impact I could say in terms of Solvency is of course increasing. The calculation that I made just before is – when the option goes in the money, by definition, you are increasing the gain in term of Solvency, and you can – when I said the example I took is that instead of roughly – instead of 40% capital cost in the Solvency II world, when we have an option, with a put option at 85% with a maturity of more than one year, in such a case, you get the gain because your capital would drop from 40% to 15%. By definition, when your option is going in the money and when the option instead gains for example 10%, then you gain the equivalent in term of capital.

I hope I’m clear. But the gain in Q3 is because we bought hedge it in the third quarter and it was in July. And as you can understand, it reduced our SCR that’s the way it works, that’s exactly what I explained. That means that instead of an SCR of 40% we have roughly an SCR of 15% and when the market goes down, it could even further reduce. So you can… I hope I’m clear.

Andrew Crean | Autonomous Okay.

Operator Next question comes from Nick Holmes from Société Générale. Sir, please go ahead.

Nick Holmes | Société Générale Hi there. A couple of questions please. Coming back to China, I wonder – could you give us a bit more color on the level of top line growth you’re targeting over the medium-term, once all the single premiums stuff is out of the way? And then second question is, can you give us an update on the likely, sorry, can you tell us what you think of the proposal to postpone IFRS-17 by a year, that’s looking quite interesting? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA Okay. As far as China, so you can imagine that for us it’s a – the growth in China is important. When you have – we can expect normally speaking to have a growth which would be close to two digits. So that’s what we’re going to expect. So what I said is that we are in a transition phase, where the topline is going down but where the profitability is increasing. And as soon as next year, I strongly hope that we will recover.

IFRS-17. As far as IFRS-17 is concerned, the point is that it’s important to have a good framework and a good accounting framework. As you know, there are some topics which needs still to be refined. If we want to have a good framework, I give you a few examples. If in the end, IFRS-17 would lead us to much more non-GAAP indicators, it would be a real failure. And today, the fact that we still will have some volatility, not for the VFA approach, so I believe that the program is solved for the participating business, but the real issue is for the non-participating business in Life and in P&C. And as far as this is concerned, it will create a lot of volatility, leading us to introduce non-GAAP figures. And, as we strongly believe in the industry, is not only my position, but as an industry, we believe that such a big move, which involves a lot of work for the entities, should lead to a good
framework that will help users to better understand our business. And if in the end, it gives more complexity and more volatility which would be unjustified then it would be a real issue.

So, to make it short, Nick, I don’t know exactly by how much it would be postponed. It could be postponed by one year, two years. I don’t believe – personally, I don’t want to postpone it too much. I believe it’s better to do it more or less in the timeline, even if there is a slight delay. But anyway, I can tell you that we are working actively on it. We believe it will be helpful for the whole industry so long as it’s a good framework and that’s why it’s so important to make a few changes compared with the initial standard.

Nick Holmes | Société Générale Okay. Thank you. That’s very clear.

Operator | [Operator instructions] We have one question from Niccolo Dalla Palma from Exane BNP Paribas. Sir, please go ahead.

Nicolo Dalla Palma | Exane BNP Paribas Hi. Good morning. I’d like to follow up on a couple of questions. You said earlier, I think to Johnny, that at Group level the deviation on large losses is close to zero. Just to avoid any confusion I wanted to check if this is a Group excluding XL or Group including XL at the nine months. Secondly, on the put options, is this as for the Q1 put options, is this bought out of the Holding? I understand that that’s the case just a confirmation of that. And one last point on the equivalence of XL for Solvency II. Is it true that part of the available capital that you include in equivalent is senior debt and does that mean that when you switch to internal model, you will lose this small part of available capital, I think it’s around Euro 1 billion by memory? Thank you.

Gérald Harlin | Deputy CEO and Group CFO, AXA First on the – your first question was?

Nicolo Dalla Palma | Exane BNP Paribas On the deviation at Group level for the large losses that you saw so far, that it was close to zero?

Gérald Harlin | Deputy CEO and Group CFO, AXA I believe that it was close to zero. So we had slightly higher Cat in some countries, but it’s not significant. So, no, I believe that it’s more or less in line with our average trends, I could say. You remember that in the first half, we presented and we said that it was at 0.6%. The year before it was much lower because it was 0.1%. So more or less in line the global trend that I could – that’s what I can tell you.

About the senior debt, you know that we have a deleveraging plan, which means that to be clear and honest with you, I strongly hope that – you remember that I presented the deleveraging plan and I hope that, at the time we’ll move to internal models, we reimburse these debts. So I don’t anticipate any negative impact from it. I have no specific plan yet and we will update it with you later on within the next months. But I don’t have any specific fear from this side.

And look, we have a Solvency II, we are generating a level of Solvency II organic growth, which is quite strong. So no. And you remember maybe that, I don’t know if you remember, but we said, when we presented our plan in
2016, that at that time, it was our intention maybe to reimburse, to refinance some Tier 2 debts with senior. So, it’s – no, honestly it’s not a matter of worry for me.

**Nicolo Dalla Palma | Exane BNP Paribas** Okay.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** It’s quite manageable.

**Nicolo Dalla Palma | Exane BNP Paribas** Okay. Okay. That's clear. And for the put options, they're all both from the Holding, is that correct?

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Yeah. Yeah.

**Nicolo Dalla Palma | Exane BNP Paribas** Not in the subsidiaries.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** No. Not exactly the put option. You remember that the last put option is at the Holding level and the previous one, the one that I disclosed in Q1, it was 50/50. 50% as Holding and 50% in the subsidiaries.

**Nicolo Dalla Palma | Exane BNP Paribas** Okay. Thank you very much. That's clear. Thank you.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Okay Nicolo.

**Operator** Next question comes from Henry Heathfield from Morningstar. Sir, please go ahead.

**Henry Heathfield | Morningstar** Good morning, all. Thank you for taking my questions. All on P&C, please? Just on Personal Motor in France. It looks like pricing on personal lines is up 1.5%, revenue is down 2%. I just wanted to inquire as to what’s driving that volume decline? And then on the back of that, what’s your average claim size looking like in terms of the trend, and how’s the pricing in kind of quantum being used to offset any trend on the average claim size? Then the second question, on the P&C side in UK, in Personal non-Motor, revenue is down 10%. I was just wondering if you could give me some color on what kind of lines are we talking in here. And then third question on the Commercial in the United States, I was wondering if you have any kind of pricing pressure on fleet motor in that business line as well please.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Okay. Your first question about France, the P&C revenue, indeed, they were down 1%. And it was primarily driven by Personal lines, as you know, competition has been quite fierce since the introduction of the Hamon law. Because the Hamon law is, I remind you, for all our policyholders to lapse instead of once a year almost every month. Meaning that we continue to aim at the right balance between profitability and volume, and in Q3 2018, that new contract were slightly positive as a whole, if I combine Household and Motor. So it’s a sign of stabilization, but obviously, the market remains quite tough. And to answer your following question, it’s just because we want to keep strong profitability that we don’t dump the market. And we want to keep a strong profitability, and I have no fear on that side. In Commercial lines, revenues were stable and we had some large contracts (loss). So if I exclude these large contracts, we were up 3%, which means that globally speaking, we have a good momentum in Commercial lines and for Individual lines in France, it is the reason of a tough market.
Your second question if I’m right was about the UK. And the lower sales in personal lines, obviously, Personal lines, we are down 4%, and mostly driven by Household from the – we had a loss of a large partnership with Marks & Spencer, and also we have lower volumes on the back of selective underwriting. I remind you that on the back of Ogden, we had some of our competitors which implicitly revised the Ogden rate, which means that they dropped their prices. And that’s not what we did so that explains also why we are – we have been quite selective in terms of underwriting. Last question was?

**Henry Heathfield | Morningstar** Sorry.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** It was on the U.S., I remember that. Could you may be precise your questions as far as the U.S. is concerned?

**Henry Heathfield | Morningstar** Well, I mean, you answered it partially, but on the U.S., I was particularly interested in fleet motor pricing on commercial P&C business. And then just a clarification on question one, I’m also quite interested in what the average claim size within personal liability of motor has been doing, and whether – if that has been trending up quite sharply, whether you have been able to put enough pricing to offset that?

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Okay. No. For the nine months, we don’t comment on the profitability, but I told you that I was quite comfortable. So, that means that, I don’t fear any kind of worsening of our profitability in France. Yes. You have also a question on the price effect by country and by business line, and you can refer to page 15 of our press release. And what I can tell you, which is a quite good sign, is that we are, for Personal lines, plus 1.3%; for Commercial lines, plus 1.4%; and this compare for the first six months of respectively 1.2% and 1.3%. We means that we still keep a quite strong momentum in terms of price effects.

**Henry Heathfield | Morningstar** Okay. Thank you.

**Operator** [Operator instructions] We have no more questions.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Okay. So I thank you, I thank you a lot. Thanks for attending this meeting and will be happy to meet you at the IR day in a few weeks time on the 28th in London.

**Andrew Wallace-Barnett | Head of Investor Relations, AXA** Thanks everybody and see you in London in a couple of weeks. Bye.

**Gérald Harlin | Deputy CEO and Group CFO, AXA** Thank you. Have a good day. Bye.

*** END OF THE TRANSCRIPT ***