S&P Global
Ratings

Research

Research Update:

France-Based Insurance Group AXA Upgraded To 'AA-' On Strengthened Financial Risk Profile; Outlook Stable

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Table Of Contents

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Overview

- We believe that France-based insurance group AXA has strengthened its financial risk profile through a combination of higher capital levels and steady de-risking of its balance sheet.
- The group continues to shift its product mix in Life & Savings away from traditional life products toward more capital-light products, which, combined with a strong property/casualty franchise, we believe will enable the group to weather the current very low interest rate environment.
- We are therefore raising our ratings on the core operating entities of AXA group to 'AA-' from 'A+', and our counterparty credit ratings on holding company AXA to 'A/A-1' from 'A-/A-2'.
- The stable outlook on the ratings reflects our expectations that the group's capital and earnings will remain strong over the next two years.

Rating Action

On Oct. 27, 2016, S&P Global Ratings raised to 'AA-' from 'A+' its long-term insurer financial strength and counterparty credit ratings on the core operating subsidiaries of France-based insurance group AXA. At the same time, we raised to 'A/A-1' from 'A-/A-2' our counterparty credit ratings on the holding company, AXA.

We raised to 'A+' from 'A' our long-term insurer financial strength and counterparty credit ratings on highly-strategic subsidiaries Financial Assurance Co. Ltd. and Financial Insurance Co. Ltd.

We also raised by one notch to 'A+' our long-term counterparty credit rating on Belgium-based bank AXA Bank Europe S.A.

In addition, we raised by one notch the ratings on all senior and subordinated debt issues.

The outlook on all the above entities is stable.

Rationale

The upgrade reflects our view that AXA's overall financial risk profile has strengthened as a result of improved capital adequacy. We expect AXA to maintain strong capital and earnings over the next two years based on our capital model, managing its growth in capital requirements in line with its capital generation.

We continue to view the group's business risk profile as very strong and its financial risk profile as strong. According to our criteria, this results in an anchor of 'aa-' or 'a+'. We now view AXA's credit profile as more in line with a 'aa-' anchor, based on our view that its financial risk profile now sits firmly at the strong level. The group's broad geographical and product diversity is also supportive of this higher anchor.

We believe that AXA will continue to produce strong operating earnings and sustain its balance sheet strength, despite low interest rates. AXA's solid results for both full-year 2015 and half-year 2016 demonstrate that the business has so far remained resilient to lower investment returns. In our view, the recently announced Ambition 2020 plan, with its focus on efficiency gains and growth in products that are lower risk and less capital-intensive, should help the group continue this trend.

We expect the group to post solid retained earnings for 2016-2018, which should ensure that the group's capital adequacy, according to our capital model, will remain at levels below but near to the 'AA' level. In our analysis, we take account of the level of softer forms of capital in the group's total adjusted capital (TAC). Such capital remains subject to market movements due to the high proportion of elements such as life value of in-force business and unrealized gains on investments. This is a relative weakness for the rating.

Our combined assessment of enterprise risk management (ERM) with management and governance is strong. We have revised our assessment of AXA's ERM to adequate with strong risk controls from strong. We believe that while the group is managed on a consistent basis with notably public Solvency II metrics, the articulation of economic model risk metrics across multiple solvency frameworks may, in our opinion, generate conflicting views of capitalization within individual business units. We have evidence of strong risk controls particularly on market risk and underwriting risk as well as robust strategic risk management. Our revised ERM assessment does not have any negative rating implications.

Outlook

The stable outlook reflects our view that AXA will maintain strong capital and earnings, without taking on additional investment risk, over the next two years. We factor into our view the focus on operational efficiency and a move toward more capital-light products as part of the Ambition 2020 plan, which should help to offset downward pressure on earnings from low interest rates.

Downside scenario

We could consider lowering the ratings on AXA if capital adequacy was likely to be sustainably below our current forecasts, which could result from higher investment risk or lower-than-expected retained earnings.

Upside scenario

We could consider raising the ratings on the group if we were to see a further improvement in the group's capitalization, combined with a more resilient business profile.

The following could act as triggers for an upgrade:

- The quality of the group's capital, with core shareholders' funds representing a greater proportion of total adjusted capital;
- The risk-adjusted capital position of the group, with further improvement taking it to the 'AA' level; and
- The weighted average insurance industry and country risk assessment (IICRA) of the group, improving to be more consistently considered low risk, although in our view this is unlikely.

Ratings Score Snapshot

	To	From
Financial Strength Rating	AA-/Stable	A+/Positive
Anchor	aa-	a+
Business Risk Profile	Very Strong	Very Strong
IICRA	Intermediate Risk	Intermediate risk
Competitive Position	Extremely Strong	Extremely strong
Financial Risk Profile	Strong	Strong
Capital and Earnings	Strong	Moderately strong
Risk Position	Intermediate Risk	Intermediate risk
Financial Flexibility	Strong	Strong
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate with strong risk controls	Strong
Management and Governance	Strong	Strong
Holistic Analysis	0	0

Liquidity	Exceptional	Exceptional
Support	0	0
Group Support	0	0
Government Support	0	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related Criteria

- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers - May 07, 2013
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition - September 15, 2008
- Criteria - Insurance - Property/Casualty: Assessing Property/Casualty Insurers' Loss Reserves - November 26, 2013
- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- Criteria - Insurance - General: Enterprise Risk Management - May 07, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology - May 07, 2013
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

Ratings List

Upgraded

	To	From
AXA		
Counterparty Credit Rating	A/Stable/A-1	A-/Positive/A-2
Senior Unsecured	A	A-
Subordinated	BBB+	BBB
Junior Subordinated	BBB	BBB-
Commercial Paper	A-1	A-2

AXA Belgium
MONY Life Insurance Co. of America
DBV Deutsche Beamten-Versicherung AG
AXA Versicherungen AG
AXA Versicherung AG
AXA Life and Annuity Co.
AXA Lebensversicherung AG
AXA Krankenversicherung AG
AXA Insurance U.K. PLC

AXA France Vie		
AXA France IARD		
Counterparty Credit Rating		
Local Currency	AA-/Stable/--	A+/Positive/--
AXA Belgium		
MONY Life Insurance Co. of America		
DBV Deutsche Beamten-Versicherung AG		
AXA Versicherungen AG		
AXA Versicherung AG		
AXA Life and Annuity Co.		
AXA Lebensversicherung AG		
AXA Krankenversicherung AG		
AXA Insurance U.K. PLC		
AXA Insurance Co.		
AXA France Vie		
AXA France IARD		
AXA Equitable Life Insurance Co.		
AXA Corporate Solutions Assurance		
Financial Strength Rating		
Local Currency	AA-/Stable/--	A+/Positive/--
AXA Financial Inc.		
Counterparty Credit Rating		
Local Currency	A/Stable/--	A-/Positive/--
Senior Unsecured	A	A-
Commercial Paper	A-1	A-2
Financial Assurance Co. Ltd.		
Financial Insurance Co. Ltd.		
Counterparty Credit Rating		
Local Currency	A+/Stable/--	A/Positive/--
Financial Strength Rating		
Local Currency	A+/Stable/--	A/Positive/--
AXA France IARD		
Financial Enhancement Rating		
Local Currency	AA-/--/--	A+/--/--

Upgraded; Ratings Affirmed

	To	From
AXA Bank Europe S.A.		
Counterparty Credit Rating	A+/Stable/A-1	A/Positive/A-1
AXA Equitable Life Insurance Co.		
Counterparty Credit Rating		
Local Currency	AA-/Stable/A-1+	A+/Positive/A-1+
Financial Enhancement Rating		
Local Currency	AA-/--/--	A+/--/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.