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Fitch Ratings - Paris - 10 December 2019:

Fitch Ratings has revised the Outlooks on AXA SA (AXA) entities' Insurer Financial Strength (IFS) Ratings and AXA's Long-Term Issuer Default Rating (IDR) to Positive from Stable. At the same time, Fitch has affirmed AXA entities' IFS and AXA's IDR at 'AA-' (Very Strong) and 'A', respectively. A full list of rating actions is detailed below.

RATING ACTIONS		
ENTITY/DEBT	RATING	PRIOR
AXA ART Versicherung AG	Ins Fin Str AA-  Affirmed	AA- 
AXA Belgium SA	Ins Fin Str AA-  Affirmed	AA- 
AXA China Region Insurance Company (Bermuda) Limited	Ins Fin Str AA-  Affirmed	AA- 
AXA Insurance Company (US)	Ins Fin Str AA-  Affirmed	AA- 
AXA Insurance Pte. Ltd.	Ins Fin Str AA-  Affirmed	AA- 
AXA PPP healthcare limited	Ins Fin Str AA-  Affirmed	AA- 
AXA Insurance UK plc	Ins Fin Str AA-  Affirmed	AA- 
DBV Deutsche Beamten Versicherung AG	Ins Fin Str WD Withdrawn	AA- 
XLIT Ltd.	LT IDR A  Affirmed	A 
senior unsecured	LT A- Affirmed	A-
subordinated	LT BBB Affirmed	BBB
AXA General Insurance Hong Kong Limited	Ins Fin Str AA-  Affirmed	AA- 
AXA Lebensversicherung AG	Ins Fin Str AA-  Affirmed	AA- 

Deutsche Ärzteversicherung Aktiengesellschaft	Ins Fin Str AA-  Affirmed	AA- 
AXA Krankenversicherung AG	Ins Fin Str AA-  Affirmed	AA- 
AXA SA	LT IDR A  Affirmed	A 
	ST IDR F1 Affirmed	F1
subordinated	LT BBB+ Affirmed	BBB+
subordinated	LT BBB Affirmed	BBB
junior subordinated	LT BBB Affirmed	BBB
senior unsecured	LT A- Affirmed	A-
senior unsecured	ST F1 Affirmed	F1
AXA France IARD	Ins Fin Str AA-  Affirmed	AA- 
AXA Global Re	Ins Fin Str AA-  Affirmed	AA- 
AXA Versicherung (Germany) AG	Ins Fin Str AA-  Affirmed	AA- 
AXA Corporate Solutions Assurance	Ins Fin Str AA-  Affirmed	AA- 
AXA France Vie	Ins Fin Str AA-  Affirmed	AA- 
AXA Versicherung AG	LT IDR A+  Affirmed	A+ 
	Ins Fin Str AA-  Affirmed	AA- 
AXA Life Ltd	Ins Fin Str AA-  Affirmed	AA- 
XL Bermuda Ltd	Ins Fin Str AA-  Affirmed	AA- 

Fitch has simultaneously withdrawn the ratings on DBV Deutsche Beamten Versicherung AG because the entity no longer exists.

Key Rating Drivers

The revision of AXA's Outlooks to Positive reflects Fitch's view that the group is firmly on track to successfully complete its business transformation and deleveraging plan, while maintaining strong operating earnings momentum. AXA has made rapid progress in integrating XL and sold its remaining stake in AXA Equitable Holdings, Inc (EQH) in November 2019. The sell-down of EQH has strengthened AXA's capitalisation and provides a clear path to reducing its financial leverage ratio (FLR) to a pre-XL acquisition level of around 25% by 2020.

The ratings continue to reflect AXA's leading business franchise, very strong capitalisation, as well as strong profitability. However, financial leverage, albeit declining, remains high for the rating category.

AXA's very strong business profile benefits from considerable geographical and business diversification. Fitch ranks AXA's business profile as "Most Favourable" compared with that of European-based multinational insurers. AXA is successfully shifting its business mix towards property and casualty (P&C), health, and protection, which is a key strategic objective of the group.

Fitch views AXA's capitalisation & leverage as very strong and improving. We expect AXA to score 'Very Strong' at end-2019 (2018: 'Strong') under Fitch's Prism Factor-Based Capital Model (Prism FBM). The improvement in the projected score results mainly from a reduction in exposure to market risk following AXA's exit from the US life business.

The group's Solvency II (S2) ratio, was 187% at end-September 2019 (193% at end-2018), which is in line with highly rated peers'. We expect the S2 ratio to benefit in the next 12 months from the integration of XL into the internal model (a 5pp-10pp improvement), the sell-down of EQH (6pp) and the disposal of AXA Bank Belgium (4pp).

Based on our estimates the removal of EQH debt and additional debt repayments would have reduced AXA's FLR by around 2pp from 29% at end-2018. We expect FLR to return to a pre-XL acquisition level of around 25% or below upon completion of AXA's deleveraging plan by 2020.

Fitch also expects interest charges to decline, following the deconsolidation of EQH debt and planned debt repayments, which will have a positive effect on the group's fixed-charge coverage ratio (end-2018: 10x).

AXA group's operating profitability continued to improve with 1H19 underlying earnings rising 7% year-on-year. The 1H19 P&C combined ratio stood at a strong 95.1%. We expect AXA to continue reporting strong operating earnings, driven by very strong technical profitability in P&C, health and protection, despite EUR0.4 billion larger-than-normal natural catastrophe losses for 2H19. Net income return on equity (ROE) fell to 3.2% at end-2018 (2017: 8.9%), due mainly to a goodwill impairment related to EQH. Excluding this impairment charge the ROE was 7.8%, in line with our assessment of AXA's earnings profile.

We now assess XL's strategic importance to AXA as 'core' (previously 'very important') based on the company's closer integration with the group. This change does not affect XL's ratings, which are at the same level as other group operating entities.

RATING SENSITIVITIES

An upgrade is conditional upon the successful integration of XL and implementation of the group's deleveraging plan. The ratings would be upgraded if AXA's Prism FBM score is high in the 'Very Strong' category, FLR improves to below 25%, the P&C combined ratio remains at or below 95% and if we assess these levels as sustainable.

The Outlook could be revised to Stable if AXA's FLR fails to improve to below 27% by end-2020 or fixed-charge coverage drops below 10x. The Outlook could also be revised to Stable if AXA's Prism FBM score falls to the low end of the 'Very Strong' category.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3. This means ESG issues are credit-neutral or have only a minimal impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

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Applicable Criteria

Insurance Rating Criteria (pub. 18 Nov 2019)

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