

Research

AXA S.A.

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AXA S.A.

Anchor	aa-	+	Modifiers	0	=	SACP	aa-	
	▲			▲		+		
Business Risk	Very Strong							AA-/Stable/--
Competitive position	Excellent		Governance	Neutral		Support	0	Financial strength rating
IICRA	Intermediate							
Financial Risk	Strong		Liquidity	Exceptional		Group support	0	A+/Stable/A-1+
Capital and earnings	Strong							Holding company ICR
Risk exposure	Moderately low		Comparable ratings analysis	0		Government support	0	
Funding structure	Neutral							

IICRA--Insurance Industry And Country Risk Assessment.
SACP--Stand-alone credit profile.

The financial strength rating shown is that of AXA Group's core operating subsidiaries. The holding company issuer credit rating (ICR) shown applies to AXA S.A., the holding company, and is one notch below the core operating subsidiaries' financial strength rating.

Credit Highlights

Overview	
Key strengths	Key risks
Leading positions in France, Germany, Switzerland, U.K., Belgium, Hong Kong, and U.S. property and casualty (P/C) commercial lines, supported by high brand recognition.	Negative revenue trends in life insurance, which constrains profitability growth.
Broad business and product diversification, with additional earnings from asset management.	AXA's real estate and private equity investments could suffer under a high interest rate environment.
Expected to stay well capitalized both in our view and relative to regulatory requirements.	A high proportion of soft forms of capital such as hybrid debt and value-in-force (VIF).

AXA Group (AXA) will maintain its extremely strong competitive position in core markets. AXA is one of the largest global multiline insurers (GMI), distinguished by its diverse geographical footprint and product lines. Business and earnings diversification remains a key differentiator for AXA compared to other GMIs. We believe that AXA's profile is most similar to that of GMI peers Allianz and Zurich.

AXA's strong financial risk profile reflects its robust capital generation with some reliance on soft forms of capital. We expect AXA to recover its very strong capitalization by 2025 after a dip in 2022, after lower bond values led to a sharp drop in equity. Despite its high capital generation, AXA has increased shareholder payouts via dividends and share buybacks, which will slow the pace of capital build-up in 2023-2025. We also consider that AXA's partial reliance on soft forms of capital, such as VIF and hybrid debt, increases the volatility of its capitalization in times of market stress.

We expect P/C premium growth and strong underwriting results to be key earnings contributors. P/C represented 66% of AXA's total underlying earnings of €4.1 billion in first-half 2023. Its P/C earnings have benefitted from positive price momentum and continuous improvements in its underwriting margins. Underlying earnings from the life and health segments remain robust but are slightly down on the attrition of its life insurance reserves.

The combination of AXA's very strong business risk and strong financial risk profiles leads to an anchor of 'aa-'. Our analysis leads to an anchor of 'aa-' or 'a+'. We chose 'aa-' in recognition of AXA's leading positions in many insurance markets, and its superior brand recognition.

Outlook: Stable

The stable outlook on AXA reflects our view that, over the next two years, AXA will continue to expand its underlying profits, maintain a return on equity (ROE) of about 15%, and recover its capital adequacy to very strong levels, according to our capital model, by 2025.

Downside scenario

We could lower the ratings over the next two years if unexpected adverse market developments materially reduce AXA's profitability, or if more aggressive capital management leads us to doubt AXA's capacity to restore capital adequacy to a very strong level by 2025.

Upside scenario

We are unlikely to upgrade AXA. We could raise our ratings if we determine that its prospective capital adequacy buffers would materially strengthen within a very strong range, and if the share of soft forms of capital declines.

Key Assumptions

- Eurozone GDP growth of 0.6% in 2023, 0.9% in 2024, and 1.6% in 2025.
- Average 10-year government bond yields in the eurozone of 3.4% in 2023, 3.7% in 2024, and 3.6% in 2025.
- U.S. GDP growth of 1.7% in 2023, 1.3% in 2024, and 1.5% in 2025.
- Average 10-year government bond yields in the U.S. of 3.7% in 2023, 3.6% in 2024, and 3.4% in 2025.

AXA Group--Key metrics

	2024f(*)	2023f(*)	2022	2021	2020	2019	2018
Gross revenues (mil. €)	>100,000	>100,000	102,345	99,931	96,723	103,532	102,874
Net income after minority interest (mil. €)	>7,000	>7,000	6,675	7,294	3,164	3,857	2,140
Return on shareholders' equity (%)	~15	~15	12.3	10.9	4.8	6.2	(0.6)
Net combined ratio (%)	<94	<94	94.5	94.6	99.5	96.5	97.0
Life new business margin (%)	~5	~5	3.9	3.8	3.7	3.7	3.9
S&P Global Ratings capital adequacy	Very strong	Strong	Strong	Very strong	Very strong	Very strong	Strong

AXA Group--Key metrics (cont.)

	2024f(*)	2023f(*)	2022	2021	2020	2019	2018
Fixed charge coverage (x)	> 12	> 12	13.0	13.8	5.8	7.7	9.4
Financial leverage (%)	<40	<40	35.5	24.5	24.0	24.9	28.0

f--S&P Global Ratings forecast. *Based on International Financial Reporting Standard 17/9 accounting standards.

Business Risk Profile: Very Strong

With €102 billion of total revenue in 2022, AXA is one of the world's largest multiline insurance groups. AXA has a highly diversified franchise, with a large bias toward advanced economies. Most of AXA's business is in large and stable countries where we perceive industry and country risks to be low or intermediate, such as France (life and P/C), Switzerland (life and P/C), and Germany (P/C). Activities in weaker economies, represented by various emerging markets that we consider to have moderate insurance industry and country risks, only make up about 10% of group premiums.

AXA's robust competitive position stems from its strong brand and market position, as well as its broadly diverse country and industry risk exposures. AXA holds top-five positions in France, Switzerland, Belgium, Germany, Spain, Italy, the U.K., and Ireland, and it is a market leader in P/C commercial lines. The group compares favorably with its GMI peers in terms of volumes, geographical reach, and business mix, combining life, P/C, and health insurance businesses, with additional fee-based income from asset management.

AXA has built its geographical footprint through both organic growth and opportunistic acquisitions. We believe that AXA's strategy to focus on health, protection, and commercial P/C business lines, will support its goal of increasing profits from less capital-intensive activities. Similar to most of its GMI peers, AXA has a comprehensive mix of distribution channels, ranging from proprietary agents to bank insurance joint ventures and direct capabilities. These enable the group to reach a diverse customer base, with about half of business coming from retail and small business clients and half from the corporate segment.

AXA also holds a sizable asset management business, with assets under management of €845 billion at year-end 2022. Despite market volatility, this generated underlying earnings of €400 million at year-end 2022.

AXA's underlying net income increased by 5% to €4.1 billion (under International Financial Reporting Standard [IFRS] 17 and 9) in first-half 2023 compared to first-half 2022 under IFRS 4. The increase is in line with our earnings expectations for the group. We expect underlying net income of above €7.5 billion and an ROE of about 15% for 2023 and 2024.

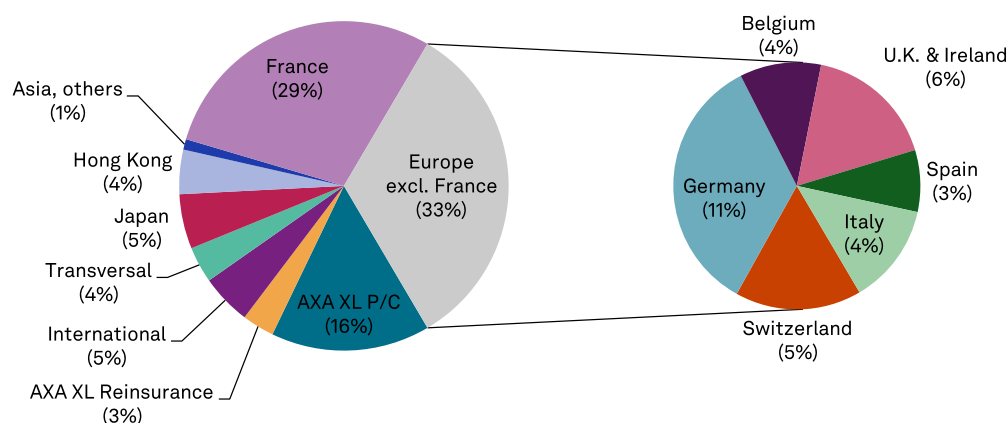
The P/C segment reported IFRS 17 underlying earnings of €2.7 billion in first-half 2023, up by 13% compared with first-half 2022 under IFRS 4. The increase reflects an improvement in technical margins, as premium growth of 7% more than offset claims growth. The natural catastrophe loss ratio declined to 3.0% from 4.1% in first-half 2022. Considering the positive effect of discounting, the IFRS 17 combined ratio of AXA's P/C business improved to 90.9% in first-half 2023.

Unlike the P/C segment, the life and health segments reported a 4% decline in underlying earnings to €1.6 billion in first-half 2023 compared with first-half 2022 under IFRS 4. The decline was mainly due to non-recurring factors, namely a higher health claims frequency in the U.K., and lower returns from investment funds, compared with 2022. Revenue growth was also negative at -3% in 2023 after -5% in 2022, resulting from volume attrition of its life reserves and two large health insurance contract cancellations.

We expect AXA to maintain its strong underwriting discipline, risk management, and pricing. This will enable it to perform in line with peers while maintaining steady growth. We expect AXA to continue its track record of achieving its efficiency targets.

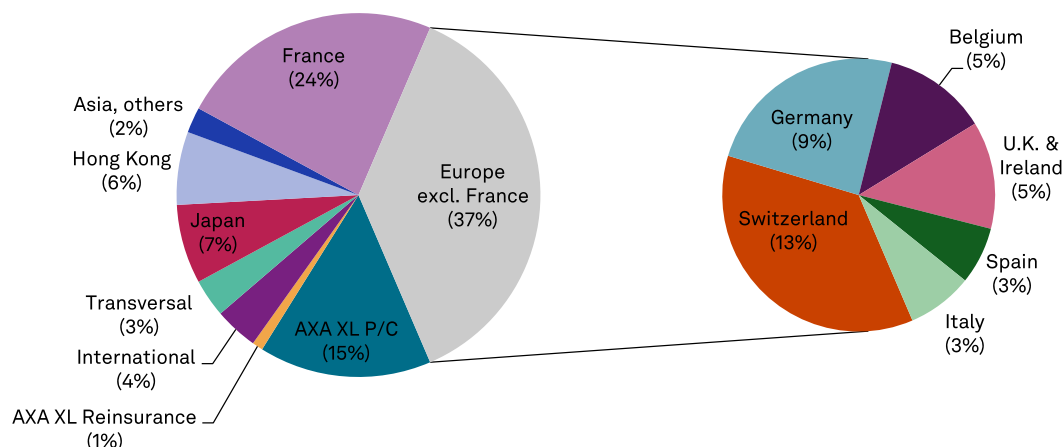
Chart 1

AXA's gross revenue by region in 2022



P/C--Property and casualty. Source: S&P Global Ratings.

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Chart 2**AXA's underlying earnings after tax by region in 2022**

P/C--Property and casualty. Source: S&P Global Ratings.

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Financial Risk Profile: Strong

AXA's capitalization, as per our capital model, has weakened below our very strong level. This is due to the negative impact of lower investment values from higher interest rates on AXA's capital buffers, within both its shareholder and policyholder accounts. Furthermore, AXA significantly increased its payouts to shareholders in 2022, with a €1.5 billion share buyback and a 10% increase to its dividend per share for the year 2022. Nevertheless, our measure of total adjusted capital has declined by a much smaller amount than AXA's 36% drop in shareholders' equity, since we exclude both unrealized losses and gains on bonds backing life liabilities. This is because of the accounting mismatch for assets at market value and liabilities at book value under IFRS 4.

We believe that AXA's capital adequacy will recover to a very strong level by 2025. We forecast growth in net income of above €7 billion per year, which will improve the amount of accumulated retained earnings, even after allowing for assumptions of 7% growth in dividends per year and further modest share buybacks. We also believe the pull-to-par effect on AXA's investment-grade bond portfolio over 2023-2025 will further benefit shareholders' equity.

AXA's regulatory Solvency II ratio was 235% at June 30, 2023, well above its minimum target of 190% and the

year-end 2022 level of 215%. This reflects AXA's strong capital generation, positive market trends, and the proactive reduction of AXA's duration gap following the rise in interest rates.

We still view the group's capital position as partly reliant on soft forms of capital, such as unrealized gains, VIF, and hybrids. This increases its sensitivity to market volatility. Considering this and the abovementioned factors, we assess AXA's overall capital and earnings position as strong.

Our assessment of AXA's risk exposure as moderately low is in line with our assessment of its GMI peers. We believe that adverse developments in large natural catastrophe and man-made claims are well under control. We observe a successful de-risking of AXA XL Reinsurance Ltd. (AXA XL) through significant cuts in natural catastrophe risk exposure, as well as robust reinsurance coverage, including adverse development cover that largely protects AXA XL's legacy long-tail insurance reserves against unfavorable developments. We expect AXA XL to remain a key contributor to the group's earnings, after achieving €0.9 billion in underlying earnings in first-half 2023.

Compared to peers, we view AXA as having a slightly higher ratio of assets that we consider as high-risk relative to its capital base. Such assets are mainly concentrated in its large private equity and real estate investment portfolios. We view positively the high level of diversification within these portfolios and their strong performance track record.

AXA has ample financial flexibility in our view, with a long and successful track record of debt issuance. The group's financial flexibility is further enhanced by a well-spread debt-repayment schedule over the next five years. Similar to peers, AXA's financial leverage increased to 35% in 2022 from less than 25% in 2021, due to unrealized losses included in shareholders' equity. We expect AXA to maintain financial leverage below 40%. We project that AXA's fixed-charge coverage ratio will stay above 12x over 2023-2024, which compares favorably with other GMIs' ratios.

Other Key Credit Considerations

Environmental, social, and governance

Environmental, social, and governance factors have no material influence on our credit rating analysis of AXA.

Governance

AXA's management and governance are strong, notably due to its strong track record of strategic planning and execution.

Liquidity

AXA's liquidity is exceptional, owing to the strength and variety of its available liquidity resources, factoring in minimal risk from collateral posting and confidence-sensitive liabilities.

Factors specific to the holding company

Our 'A+' long-term rating on AXA S.A. is one notch below that on AXA Group, reflecting both its status as the group's internal reinsurer and the fact that its reinsurance revenue does not fully cover operating and financing costs, leaving a degree of structural subordination for AXA's creditors. Our 'A-1+' short-term rating on AXA S.A. reflects its high level of cash at hand and committed credit facilities relative to its financial obligations.

Accounting considerations

We base our analysis primarily on audited financial data prepared in accordance with IFRS. We regard the group's financial communication and disclosures as sound and transparent.

AXA began implementing IFRS 17 and IFRS 9 accounting standards from Jan. 1, 2023. While our 2022 capital adequacy assessment remains linked to AXA's IFRS 4 balance sheet, our earnings forecasts are informed by AXA's first-half 2023 financial report. Overall, IFRS 17 has no impact on the group's capital management and its Solvency II ratio, and has only a limited influence on underlying earnings and shareholders' equity.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions , March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology , July 1, 2019
- General Criteria: Group Rating Methodology , July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria | Insurance | Property/Casualty: Assessing Property/Casualty Insurers' Loss Reserves , Nov. 26, 2013
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model , June 7, 2010

Appendix

AXA Group--Credit metrics history					
Ratio/Metrics	2022	2021	2020	2019	2018
S&P Global Ratings capital adequacy	Strong	Very strong	Very strong	Very strong	Strong
Total invested assets	521,524	628,385	640,423	621,144	739,944
Total shareholder equity	42,674	68,533	69,692	67,919	66,403
Gross premiums written	99,615	97,133	94,269	100,154	96,369
Net premiums written	86,272	84,712	82,755	90,440	90,180
Reinsurance utilization (%)	13	12.8	12.2	9.7	6.4
EBIT	9,187	9,658	6,626	8,541	9,003
Net income (attributable to all shareholders)	6,856	7,507	3,331	4,181	(375)
Return on revenue (%)	9.1	9.7	6.8	8.2	8.0
Return on assets (including investment gains/losses) (%)	1.3	1.3	0.9	1.0	1.0
Return on shareholders' equity (reported) (%)	12.3	10.9	4.8	6.2	(0.6)
P/C: net combined ratio (%)	94.5	94.6	99.5	96.5	97.0
P/C: net expense ratio (%)	26.2	26.6	27.2	26.7	27.2
EBIT fixed-charge coverage (x)	13.0	13.8	5.8	7.7	9.4
Financial obligations / EBIT adjusted	2.6	2.3	3.3	2.6	2.9

AXA Group--Credit metrics history (cont.)

Ratio/Metrics	2022	2021	2020	2019	2018
Financial leverage excluding pension deficit as debt (%)	35.5	24.5	24.0	24.9	28.0
Net investment yield (%)	2.5	2.2	2.2	2.2	2.9
Net investment yield including investment gains/(losses) (%)	2.3	2.8	2.5	2.3	2.6

P/C--Property/casualty.

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of September 6, 2023)*
AXA

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

A+/Stable/A-1+

Commercial Paper

A-1+

Junior Subordinated

BBB+

Senior Unsecured

A+

Subordinated

A-

Related Entities
AXA Banque

Issuer Credit Rating

A+/Stable/A-1+

AXA Belgium

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

AXA China Region Insurance Co. (Bermuda) Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Ratings Detail (As Of September 6, 2023)*(cont.)

Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA China Region Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA France IARD	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA France Vie	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA Home Loan SFH	
Senior Secured	AAA/Stable
AXA Insurance Co.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
AXA Insurance U.K. PLC	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA Krankenversicherung AG	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA Lebensversicherung AG	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
AXA Life Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--

Ratings Detail (As Of September 6, 2023)*(cont.)

AXA Salud SA de CV

Financial Strength Rating

CaVal (Mexico) National Scale

mxAAA/Stable/--

Issuer Credit Rating

CaVal (Mexico) National Scale

mxAAA/Stable/--

AXA Seguros S.A. de C.V.

Financial Strength Rating

Local Currency

A-/Stable/--

CaVal (Mexico) National Scale

mxAAA/Stable/--

Issuer Credit Rating

Local Currency

A-/Stable/--

CaVal (Mexico) National Scale

mxAAA/Stable/--

AXA Tianping Property & Casualty Insurance Co. Ltd.

Financial Strength Rating

Local Currency

A-/Stable/--

Issuer Credit Rating

Local Currency

A-/Stable/--

AXA Versicherung AG

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

AXA Versicherungen AG

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

AXA XL Insurance Company UK Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

AXA XL Reinsurance Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Catlin Insurance Co. Inc.

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

Local Currency

A+/Stable/--

Catlin Re Switzerland Ltd

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

AA-/Stable/--

Ratings Detail (As Of September 6, 2023)*(cont.)

Greenwich Insurance Co.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Indian Harbor Insurance Co.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

XL Bermuda Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

XL Insurance America Inc.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

XL Insurance Co. SE

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/NR

XL Insurance Switzerland Ltd.

Financial Strength Rating

Local Currency

A+/Stable/--

Issuer Credit Rating

Local Currency

A+/Stable/--

XLIT Ltd.

Issuer Credit Rating

A/Stable/--

Junior Subordinated

BBB+

Preference Stock

BBB+

Preferred Stock

BBB+

Senior Unsecured

A

Subordinated

BBB+

XL Re Europe SE

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Ratings Detail (As Of September 6, 2023)*(cont.)**XL Reinsurance America Inc.**

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

XL Reinsurance (China) Co. Ltd.

Financial Strength Rating

Local Currency

A+/Stable/--

XL Specialty Insurance Co.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Domicile

France

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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