

Announcement: AXA

Moody's affirms Axa's ratings (A2 snr debt); Stable outlook

Paris, February 20, 2009 -- Moody's Investors Service has today announced that it affirmed the A2 senior unsecured debt rating and A3 subordinated debt rating of Axa SA, as well as the Aa3 insurance financial strength ratings of its main operating subsidiaries. All these ratings carry a stable outlook.

The affirmation follows publication by Axa of its 2008 annual results. Moody's said that, notwithstanding the Group's weakening capitalisation and net income, the affirmation of the ratings reflect the Group's superior franchise strength and diversification, the strong operating cash-flow generated by its core subsidiaries, prudent reserve practices, ample liquidity and ability to maintain relatively good financial flexibility. In particular, Moody's anticipates that the Group will continue to maintain a strong level of core underlying profitability despite the weak external environment, sufficient to help offset any pressures resulting from further asset impairments or losses.

Axa's net income and shareholders' equity eroded significantly in 2008 as a result of impairments and marked to market effects, reflecting the asset risk borne by the Group. The Group reported underlying earnings of EUR4.0 billion for the year 2008, down 17% compared to 2007, and net income at EUR923 million, down 83% compared to 2007. Shareholders' equity stood at EUR37.4 billion as of 31 December 2008, which represents a 18% reduction compared to 2007. On a Solvency I basis, coverage stood at 127% (down from 148%). The rating agency also noted that financial flexibility metrics have deteriorated throughout 2008, with financial leverage around 40% (Moody's basis) at the end of 2008, and fixed charge coverage around 6x (on a 5 year average).

Despite some de-risking which took place in 2008, the Group's gross exposure to real estate, equities, ABS, alternative investments and non-investment grade and non rated corporate bonds was at 17% of general account investments at year-end. In terms of equity exposure, although some hedges have been put in place on a portion of the equity portfolio, Moody's notes that the Group remains exposed to further adverse movements in equity markets, although to a lower level than in 2008. The Group's ABS holdings, although limited in relative terms (ABS representing 3% of general account assets) and generally of good quality, are also likely to crystallise some losses in the medium-term. Finally, Axa has increased the size of its corporate bond portfolio in recent years. Although Moody's notes that the average quality of the corporate portfolio is consistent with a high A rating, in line with the rating agency's expectation of an increase in defaults in corporate bonds in 2009 Moody's expects the Group to experience some losses on this portfolio in the coming years.

Moody's believes that the Group will be able to absorb these potential shocks on its asset portfolio, mainly due to strong net income generation. Moody's expects underlying earnings to face some pressure in 2009 as a result of the weak economy and lower volume growth, mainly in Life and Savings and Asset Management, but also in Property and Casualty to a lesser extent. However, Moody's notes that, in the Life and Savings area, Axa has taken measures to reduce the risks associated with the hedging of the guarantees offered on its Variable Annuities policies which have been responsible for significant losses reported in 2008 but which are not expected to be repeated in 2009. Therefore, Moody's expects the Group to maintain a strong level of core underlying profitability.

Furthermore, Moody's notes the very good liquidity position of the Group thanks to an increased cash position, EUR6 billion of undrawn banking facilities, the absence of a significant amount of debt maturing in the coming months and positive net flows reported in 2008. Such liquidity makes it unlikely that the Group will need to sell depressed assets under current market conditions, thus avoiding crystallisation of current unrealised losses.

In addition, Moody's regards the Group's financial flexibility as good notwithstanding the volatile external environment. The Group announced its intention to propose to the Shareholders' General Assembly the approval of a resolution allowing the Group to issue up to EUR2 billion of preference shares, either to the capital markets or to the Axa Mutual Company.

Moody's said that if the Group is unable to maintain the expected strong level of underlying profitability (RoE above 10% across the cycle) it could place pressure on the rating. Moody's added that negative rating pressure could also result in the event of significant defaults amongst the largest fixed income exposures. Such defaults could trigger significant losses and deterioration of long-term capitalisation, and a general deterioration of shareholders' equity, implying a long term deterioration of financial flexibility metrics and the solvency ratio.

The date of the prior rating action on Axa was on 14 June 2006 when all ratings were affirmed with a stable outlook following the announcement of the Winterthur acquisition.

The following ratings were affirmed with a stable outlook:

Axa SA -- senior unsecured debt rating at A2;

Axa SA -- subordinated debt rating at A3;

Axa SA -- junior subordinated debt at Baa1;

Axa SA -- short-term debt rating at P-1;

Axa Financial, Inc. -- senior unsecured debt rating at A2;

Axa Financial, Inc. -- senior unsecured debt rating at (P)A2;

Axa Financial, Inc. -- subordinated debt rating at (P)A3;

Axa Financial, Inc. -- junior subordinated debt rating at (P)A3;

Axa Financial Capital Trust I -- preferred stock rating at (P)A3;

Axa Financial Capital Trust II -- preferred stock rating at (P)A3;

Axa Financial Capital Trust III -- preferred stock rating at (P)A3;

Axa Financial Capital Trust IV -- preferred stock rating at (P)A3;

Axa Equitable Life Insurance Company -- insurance financial strength rating at Aa3;

Axa Equitable Life Insurance Company -- surplus notes rating at A2;

MONY Life Insurance Company -- insurance financial strength rating at Aa3;

MONY Life Insurance Company -- surplus notes rating at A2;

MONY Life Insurance Company of America -- insurance financial strength rating at Aa3;

Axa France Vie -- insurance financial strength rating at Aa3;

Axa France IARD -- insurance financial strength rating at Aa3;

Axa Belgium -- insurance financial strength rating at Aa3;

Axa General Insurance Ltd -- insurance financial strength rating at Aa3;

Axa Insurance Ltd -- insurance financial strength rating at Aa3;

Axa Insurance UK plc -- insurance financial strength rating at Aa3;

Axa Sun Life Holding plc -- insurance financial strength rating at Aa3;

Axa Sun Life plc -- insurance financial strength rating at Aa3;

Axa Lebensversicherung AG -- insurance financial strength rating at Aa3;

Axa Versicherung AG -- insurance financial strength rating at Aa3;

DBV-Winterthur Lebensversicherung AG -- insurance financial strength rating at Aa3;

DBV-Winterthur Versicherung AG -- insurance financial strength rating at Aa3;

DBV-Deutsche Beamten-Versicherung AG -- insurance financial strength rating at Aa3;

Axa Krankenversicherung AG -- insurance financial strength rating at Aa3;

Winterthur Insurance -- insurance financial strength rating at Aa3.

Axa Group, headquartered in Paris, France, is one of the largest and most diversified insurers in Europe. It reported total revenues of EUR91.2 billion in 2008 and had shareholders' equity of EUR37.4 billion as of 31 December 2008.

The principal methodologies used in rating Axa SA and its subsidiaries are "Moody's Global Rating Methodology for Property and Casualty Insurers" and "Moody's Global Rating Methodology for Life Insurers", which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

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