

Ratings Assigned To AXA Bank Europe SCF's Series 1 And Series 2 Covered Bond Issues

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OVERVIEW

- We have assigned 'AAA' credit ratings with a stable outlook to AXA Bank Europe SCF's inaugural issuances of "Obligations Foncières".
- AXA Bank Europe SCF used the covered bond proceeds to fund the refinancing of residential mortgage loans. The initial collateral comprises the senior notes of Royal Street NV/SA Compartment RS-2, which have our 'AAA (sf)' rating.
- This transaction features a French issuer incorporated as a Société de Crédit Foncier (SCF) backed indirectly through the purchase of senior RMBS notes--backed by 100% Belgian residential mortgage loans originated by AXA Bank Europe.

PARIS (Standard & Poor's) Nov. 9, 2010--Standard & Poor's Ratings Services has assigned 'AAA' credit ratings with a stable outlook to AXA Bank Europe SCF's series 1 and series 2 issuances of "Obligations Foncières" (OFs; French legislation-enabled covered bonds) (see list below).

The OFs constitute unsubordinated senior secured obligations ("privileged obligations") and rank pari passu among themselves. This covered bond program is a complementary funding tool for AXA Bank Europe's assets, liabilities, and liquidity management, to the group funding. We would therefore view AXA Bank Europe SCF as a financing tool for AXA Bank Europe, although it is an independent operating subsidiary.

Under the French law applicable to French covered bonds (OFs), the OF holders

benefit from the privilege granted to these bonds over the SCF's eligible assets. If the issuer becomes insolvent, OFs and other privileged debts will pay in accordance with their payment schedule and will have priority over any of the SCF's other debts or non-privileged creditors relating to those assets.

Under the euro medium-term note (EMTN) program terms, AXA Bank Europe SCF issues the covered bonds, using the proceeds to fund the refinancing of residential mortgage loans, either directly via direct purchase or indirectly via the subscription of residential mortgage-backed securities (RMBS) notes. The initial collateral comprises the senior notes issued by Royal Street NV/SA Compartment RS-2 that have a 'AAA (sf)' rating. These senior notes are backed by Belgian residential loans secured on mortgages and mandates, originated and serviced by AXA Bank Europe. These senior RMBS notes are fully subscribed by AXA Bank Europe SCF. We understand that AXA Bank Europe intends to purchase the subordinated notes.

This program has some unique features compared with other existing French covered bond programs. In particular, it is a French issuer incorporated as an SCF backed indirectly through the subscription of a senior RMBS note--backed by 100% Belgian residential mortgage loans. The RMBS are backed by self-originated and self-serviced loans by AXA Bank Europe in its normal course of banking operations in Belgium, and not third-party-originated RMBS notes.

There are existing programs where the covered bond collateral is in the form of senior RMBS notes rather than the residential mortgage loans themselves; however, this is the first that we have rated where covered bonds are issued backed by a single securitization, and where the collateral is fully in a different jurisdiction (here, in Belgium) than the issuer (here, in France).

RELATED CRITERIA AND RESEARCH

- Rating Assigned To AXA Bank Europe's Royal Street Compartment RS-2 RMBS Transaction, Nov. 5, 2010
- Presale: AXA Bank Europe SCF (Series 1), Oct. 7, 2010
- Presale: Royal Street NV/SA, Compartment RS-2, Oct. 7, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Update And Clarification To Counterparty Criteria For Interest Rate Swap Counterparties In 'AAA' Rated Transactions, April 1, 2009
- European Legal Criteria for Structured Finance Transactions, Aug. 28, 2008
- Principles-Based Rating Methodology For Global Structured Finance Securities, May 29, 2007
- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria for Rating French Residential Mortgage-Backed Securities, July 16, 2003

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Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's 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) 495-783-4011.

RATINGS LIST

AXA Bank Europe SCF

€750 Million Fixed-Rate Obligations Foncières Series 1 (Covered Bonds) And
€500 Million Floating-Rate Obligations Foncières Series 2 (Covered Bonds) (€5
Billion Program)

Class	Rating	Amount (mil. €)
Series 1	AAA/Stable	750
Series 2	AAA/Stable	500

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