

Rating Action: Moody's assigns definitive Aaa rating to Series 5 and Series 6 issued by AXA Bank Europe SCF's covered bonds

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London, 23 April 2012 -- Moody's Investors Service has assigned a definitive long-term rating of Aaa to the following covered bonds issued by AXA Bank Europe SCF (the issuer), under French SCF Law

Series 5 -- EUR 1,000,000,000 fixed rate Covered Bonds due 19 April 2017: Aaa; new rating.

Series 6 -- EUR 500,000,000 floating rate Covered Bonds due 19 April 2022: Aaa; new rating.

RATINGS RATIONALE

A covered bond benefits from (i) the issuer's promise to pay interest and principal on the bonds; and (ii) if the issuer defaults, the economic benefit of a collateral pool (the cover pool). The ratings therefore take into account the following factors:

(i) The credit strength of the issuer based on the credit strength of AXA Bank Europe rated A2/P-1, acting as sponsor bank.

(ii) The value of the cover pool in the event of issuer default. The stressed level of losses modelled in event of issuer default (cover pool losses) for this transaction is 14.9%.

The analysis of the value of the cover pool considered:

- iia) The credit quality of the assets backing the covered bonds. The covered bonds are backed by Residential Mortgage Backed Securities notes (the RMBS notes), rated Aaa by Moody's as of the date of this publication. The RMBS notes are in turn backed by a portfolio of Belgian mortgage loans originated by AXA Bank Europe. The collateral score for the cover pool is 0%, consistent with the current Aaa rating of the RMBS notes.
- iib) The French legal framework of covered bonds, as the covered bonds are governed by the French SCF covered bonds law.
- iic) The exposure to interest rate risk and the hedging arrangements in place.
- iid) The over-collateralisation in the cover pool of AXA Bank Europe SCF. The minimum over-collateralisation level that is consistent with the Aaa rating target is 14.5%. Moody's analysis relies on a level of over-collateralisation of 14.5% on a voluntary basis.

The TPI assigned to this transaction is Probable. Moody's TPI framework does not constrain the rating as of the date of this publication.

The Aaa ratings assigned by Moody's address the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

KEY RATING ASSUMPTIONS/FACTORS

Covered bond ratings are determined after applying a two-step process: expected loss analysis and TPI framework analysis.

EXPECTED LOSS: Moody's determines a rating based on the expected loss on the bond. The primary model used is Moody's Covered Bond Model (COBOL) which determines expected loss as a function of the issuer's probability of default, measured by the issuer's rating, and the stressed losses on the cover pool assets following issuer default.

The cover pool losses for AXA Bank Europe SCF's covered bonds are 14.9%. This is based on Moody's most recent modelling and is an estimate of the losses Moody's currently models if issuer defaults. Cover pool losses

can be split between Market Risk of 14.9% and Collateral Risk of 0%. Market Risk measures losses as a result of refinancing risk and risks related to interest-rate and currency mismatches (these losses may also include certain legal risks). Collateral Risk measures losses resulting directly from the credit quality of the assets in the cover pool. Collateral Risk is derived from the Collateral Score, which for this programme is currently 0%, reflecting the current Aaa rating of the RMBS notes.

For further details on Cover Pool Losses, Collateral Risk, Market Risk, Collateral Score and TPI Leeway across all covered bond programmes rated by Moody's please refer to "Moody's EMEA Covered Bonds Monitoring Overview", published quarterly. These figures are based on the latest data that has been analysed by Moody's and are subject to change over time. These numbers are updated quarterly in Performance Overview published by Moody's.

TPI FRAMEWORK: Moody's assigns a "timely payment indicator" (TPI) which indicates the likelihood that timely payment will be made to covered bondholders following issuer default. The effect of the TPI framework is to limit the covered bond rating to a certain number of notches above the issuer's rating.

For AXA Bank Europe SCF's Mortgage covered bonds, Moody's has assigned a TPI of Probable.

SENSITIVITY ANALYSIS

The robustness of a covered bond rating largely depends on the credit strength of the issuer.

The number of notches by which the issuer's rating may be downgraded before the covered bonds are downgraded under the TPI framework is measured by the TPI Leeway.

Based on the current TPI of Probable, the TPI Leeway for this programme is one notch, meaning the covered bonds might be downgraded as a result of a TPI cap once the issuer rating is downgraded below A3, all other variables being equal.

A multiple-notch downgrade of the covered bonds might occur in certain limited circumstances. Some examples might be (i) a sovereign downgrade negatively affecting both the issuer's senior unsecured rating and the TPI; (ii) a multiple notch downgrade of the issuer; or (iii) a material reduction of the value of the cover pool.

As the euro area crisis continues, the rating of covered bonds remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could negatively impact the ratings of covered bonds. For more information please refer to the Rating Implementation Guidance published on 13 February 2012 "How Sovereign Credit Quality May Affect Other Ratings". Please also refer to the recent rating actions on banks published on 15 February 2012, (please see "Moody's Reviews Ratings for European Banks" and "Moody's Reviews Ratings for Banks and Securities Firms with Global Capital Markets Operations" for more information).

RATING METHODOLOGY

The principal methodology used in this rating was "Moody's Approach to Rating Covered Bonds" published in March 2010. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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