



Fitch Rates AXA Bank Europe SCF's 7th Series of Obligations Foncières Ratings

Endorsement Policy

20 Sep 2012 9:37 AM (EDT)

Fitch Ratings-London-20 September 2012: Fitch Ratings has assigned AXA Bank Europe Societe de Credit Foncier's (ABE SCF, 'A+'/Stable) Series 7 Obligations Foncières (OF, French legislative covered bonds) a 'AAA' rating with Stable Outlook. Series 7, a EUR500m fixed-rate series, is due in September 2019, and benefits from an extended maturity date of one year after the expected due date in the event of default of parent AXA Bank Europe (ABE). Fitch has also affirmed the 'AAA' rating with Stable Outlook of the remaining outstanding series, totalling EUR2.25bn.

The rating is based on ABE SCF's 'A+' Long-term Issuer Default Rating (IDR), a Discontinuity-Cap (D-Cap) of 4 (Moderate) and a 12% level of overcollateralisation (OC).

The 'AAA' rating would be vulnerable to a downgrade, all else being equal, if one of the following occurred: the IDR was downgraded to 'BBB+'; the D-cap fell to 1 (very high risk) or 0 (full discontinuity); the OC level decreased below 12.0%, which is the minimum OC in line with the 'AAA' covered bond rating; or the senior tranches of RMBS comprising the pool of assets were downgraded below 'AAAsf'.

The level of OC enabling timely payment on the covered bonds in a 'AAA' stress scenario is 12.0%, which the issuer is expected to maintain. Fitch compares this ratio to the lowest OC of the past 12 months, which is currently 20.0%. The Fitch breakeven OC for the rating will be affected, among other things, by the profile of the cover assets versus covered bonds, which will change over time.

The D-Cap of 4 is driven by the moderate risk assessment of the liquidity gap and systemic risk, which is due to the 12 months maturity extension and satisfactory protection against interest rate payment interruption. Asset segregation and the systemic alternative management components of the D-Cap have been assessed as representing a very low and low risk respectively, from a discontinuity point of view, in line with the assessment for other French SCF (see "Fitch Places 1 French Covered Bond on RWN; Assigns French Programmes Outlooks & D-Caps" dated 14 September 2012 at www.fitchratings.com). The cover pool specific alternative management and privileged derivatives components are both assessed as low risk. This reflects the relative simplicity of the pool of assets comprising only senior tranches of RMBS. In addition, in Fitch's view, the swap agreements -concluded with both internal and external derivative counterparties - are not of a material nature for this programme.

The ABE SCF programme refinances senior tranches of RMBS issued by Royal Street NV/SA through its Compartment RS-2 and RS-3 and backed by a pool of residential mortgage loans originated by ABE in Belgium. Fitch rates the senior notes 'AAAsf'. Fitch has assumed that the notes would not default in a 'AAA' scenario. However, a downgrade of the RMBS notes may lead to a corresponding downgrade of the OF. As of September 2012, ABE SCF total assets amounted to EUR3.34bn and, following this issuance, its total OF amount to EUR2.75bn, providing a nominal OC of 21.4%. All cover assets and covered bonds are euro-denominated, so the programme is not exposed to currency risk. Open interest rate positions between the floating rate cover assets and the fixed rate covered bonds are hedged through privileged derivatives.

Contact:

Primary Analyst
Natasha Ahmed
Associate Director
+44 20 3530 1301
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Secondary Analyst
Solena Gloaguen
Director
+44 20 3530 1126

Committee Chairperson

Suzanne Albers
Senior Director
+44 20 3530 1165

Media Relations: Christian Giesen, Frankfurt am Main, Tel: +49 69 768076 232, Email:
christian.giesen@fitchratings.com.

Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Covered Bonds Rating Criteria', dated 10 September 2012, 'Covered Bonds Counterparty Criteria', dated 25 July 2012, 'Counterparty Criteria for Structured Finance Transactions', dated 30 May 2012, 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 30 May 2012, 'EMEA Residential Mortgage Loss Criteria', dated 07 June 2012, 'EMEA Criteria Addendum - France', dated 27 July 2012', are available on www.fitchratings.com.

Applicable Criteria and Related Research:

EMEA Criteria Addendum – France - Mortgage and Cashflow Assumptions
Covered Bonds Rating Criteria - Amended
Covered Bonds Counterparty Criteria
Counterparty Criteria for Structured Finance Transactions
Counterparty Criteria for Structured Finance Transactions: Derivative Addendum
EMEA Residential Mortgage Loss Criteria

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:
[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

Copyright © 2012 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.