MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive Aaa rating to Series 8 issued by AXA Bank Europe SCF covered bonds

Global Credit Research - 03 Jul 2013

London, 03 July 2013 -- Moody's Investors Service has today assigned a definitive Aaa long-term rating to the following covered bonds issued by AXA Bank Europe SCF (the issuer), under French SCF Law

Series 8 -- EUR 750,000,000 floating rate Covered Bonds due 25 July 2023: Aaa; new rating.

RATINGS RATIONALE

As with all covered bonds AXA Bank Europe SCF's covered bonds benefit from (1) a promise from the issuer to pay interest and principal on the covered bonds; and (2) if AXA Bank Europe SCF defaults the economic benefit from the cover pool.

The covered bond rating takes into account the following factors:

(1) The credit strength of AXA Bank Europe (A2 deposits; D+/baa3 /, Prime-1, negative outlook) the sponsor bank.

(2) The credit quality of the cover pool. The covered bonds will be primarily 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.

Other key factors:

(3) The French legal framework of covered bonds, as the covered bonds are governed by the French SCF covered bonds law.

(4) The exposure to interest-rate risk and the hedging arrangements in place designed to mitigate this risk.

(5) The issuer maintaining, on a "committed" basis, minimum over-collateralisation of 5%.

Moody's has assigned a timely payment indicator (TPI) of "Probable" to this transaction. The TPI does not constrain the rating of the covered bonds at its current level; however, the covered bond rating would be expected to be lowered should the issuer's senior unsecured rating be downgraded.

As is the case with other covered bonds, Moody's considers the transaction to be linked to AXA Bank Europe's credit strength, particularly from a timeliness of payment perspective. If this credit strength deteriorates -- all other variables being equal -- the covered bond ratings may come under pressure.

The rating assigned by Moody's addresses 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. The Aaa rating assigned to the covered bonds is expected to be assigned to all subsequent covered bonds issued under this programme and any future rating actions are expected to affect all such covered bonds. If there are any exceptions to this, Moody's will in each case publish details in a separate press release.

KEY RATING ASSUMPTIONS/FACTORS

Covered bond ratings are determined after applying a two-step process: an expected loss analysis and a 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 (1) a function of the issuer's probability of default (measured by the issuer's rating); and (2) the stressed losses on the cover pool assets following issuer default.

The cover pool losses for this programme are 14.9%. This is an estimate of the losses Moody's currently models if

AXA Bank Europe SCF defaults. Cover pool losses can be split between market risk of 14.9% and collateral risk of 0.0%. 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 0.0%, reflecting the current Aaa rating of the RMBS notes.

AXA Bank Europe provides 5% of nominal over-collateralisation in the cover pool on a "committed" basis. The minimum OC level that is consistent with the Aaa rating target is 14.5% on a nominal basis. Therefore, Moody's is relying on "uncommitted" OC in its expected loss analysis.

All numbers in this section are based on Moody's most recent modelling (based on data, as of March 2013)

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.

SENSITIVITY ANALYSIS

The robustness of a covered bond rating largely depends on the issuer's credit strength. The TPI Leeway measures the number of notches by which the issuer's rating may be downgraded before the covered bonds are downgraded under the TPI framework.

Based on the current TPI of Probable, the TPI Leeway for AXA Bank Europe SCF's covered bonds is one notch. This implies that Moody's would expect to downgrade the covered bonds because of a TPI cap if the rating agency downgrades AXA Bank Europe's senior unsecured rating below A3, all other variables being equal.

A multiple-notch downgrade of the covered bonds might occur in certain limited circumstances, such as (1) a sovereign downgrade negatively affecting both the issuer's senior unsecured rating and the TPI; (2) a multiple-notch downgrade of the issuer; or (3) a material reduction of the value of the cover pool.

RATING METHODOLOGY

The principal methodology used in this rating was "Moody's Approach to Rating Covered Bonds" published in July 2012. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Hadrien Rogier
Analyst
Structured Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Juan Pablo Soriano
VP - Senior Credit Officer
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.