MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive Aaa rating to Series 9 covered bonds issued by AXA Bank Europe SCF

Global Credit Research - 18 Nov 2014

EUR 400,000,000 of bonds affected

Madrid, November 18, 2014 -- Moody's Investors Service has today assigned a definitive Aaa long-term rating to the covered bonds (Series 9, obligations foncieres) issued by AXA Bank Europe SCF (the issuer) and governed by the French legal framework for obligations foncieres.

RATINGS RATIONALE

A covered bond benefits from (1) the issuer's promise to pay interest and principal on the bonds; and (2) following a covered bond anchor (CB anchor) event, the economic benefit of a collateral pool (the cover pool). The rating, therefore, reflect the following factors:

(1) The credit strength of the sponsor, AXA Bank Europe (deposits A2 stable, bank financial strength rating D+/adjusted baseline credit assessment a2), and a CB anchor of the senior unsecured rating plus zero notches.

(2) Following a CB anchor event, the value of the cover pool. The stressed level of losses on the cover pool assets following a CB anchor event (cover pool losses) for this transaction is 14%.

Moody's considered the following factors in its analysis of the cover pool's value:

a) The credit quality of the assets backing the covered bonds. The mortgage covered bonds are backed by (i) residential mortgage-backed securities (RMBS) rated Aaa by Moody's, which are, in turn, backed by a portfolio of Belgian mortgage loans originated by AXA Bank Europe; and (ii) mortgage promissory notes (billets a ordre) backed by guaranteed French residential home loans originated by AXA Banque. The underlying French residential home loans are guaranteed by Credit Logement (Aa3, stable). The collateral score for the cover pool is 0%.

b) The French legal framework of covered bonds, as the covered bonds are governed by the French covered bonds law for obligations foncieres.

c) The exposure to market risk, which is 14% for this cover pool.

d) Following the inclusion of the mortgage promissory notes into the cover pool and the issue of the new obligations foncieres Series 9, the over-collateralisation (OC) in the cover pool is 19.6%, of which the issuer provides 5.0% on a "committed" basis (see Key Rating Assumptions/Factors below).

The timely payment indicator (TPI) assigned to this transaction is "Probable". Moody's TPI framework does not constrain the rating.

KEY RATING ASSUMPTIONS/FACTORS

Moody's determines covered bond ratings using a two-step process: an expected loss analysis and a TPI framework analysis.

EXPECTED LOSS: Moody's uses its Covered Bond Model (COBOL) to determine a rating based on the expected loss on the bond. COBOL determines expected loss as (1) a function of the probability that the issuer will cease making payments under the covered bonds (a CB anchor event), and (2) the stressed losses on the cover pool assets following a CB anchor event.

The CB anchor for this programme is the senior unsecured rating plus zero notches given the debt ratio is below 5%.

The cover pool losses for this programme are 14%. This is an estimate of the losses Moody's currently models following a CB anchor event. Moody's splits cover pool losses between market risk of 14% and collateral risk of

0%. Market risk measures losses stemming from 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 cover pool assets' credit quality. Moody's derives collateral risk from the collateral score, which for this programme is currently 0%, reflecting the current Aaa rating on the RMBS notes, and an 11% OC commitment at the mortgage promissory notes level.

Following the inclusion of the mortgage promissory notes into the cover pool and the issue of the new obligations foncieres Series 9, the OC in the cover pool is 19.6%, of which the issuer provides 5.0% on a "committed" basis. The minimum OC level consistent with the Aaa rating target is 12%.

For further details on cover pool losses, collateral risk, market risk, collateral score and TPI Leeway across covered bond programmes rated by Moody's, please refer to "Moody's Global Covered Bonds Monitoring Overview", published quarterly. All numbers in this section are based on the most recent Performance Overview. The only exception to this is the OC in the cover pool.

TPI FRAMEWORK: Moody's assigns a TPI, which measures the likelihood of timely payments to covered bondholders following a CB anchor event. The TPI framework limits the covered bond rating to a certain number of notches above the CB anchor.

Factors that would lead to a downgrade of the rating:

The CB anchor is the main determinant of a covered bond programme's rating robustness. A change in the level of the CB anchor could lead to a downgrade of the covered bonds. The TPI Leeway measures the number of notches by which Moody's might lower the CB anchor before the rating agency downgrades the covered bonds because of TPI framework constraints.

Based on the current TPI of "Probable", the TPI Leeway for this programme is one notch. This TPI Leeway implies that Moody's might downgrade the covered bonds because of a TPI cap, if it lowers the CB anchor by two notches, 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 CB anchor and the TPI, (2) a multiple-notch downgrade of the CB anchor or (3) a material reduction of the value of the cover pool.

PRINCIPAL METHODOLOGY:

The principal methodology used in this rating was "Moody's Approach to Rating Covered Bonds", published in March 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not use any stress scenario simulations in its analysis.

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.

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