

Rating Action: Moody's upgrades Belfius Bank's senior unsecured and deposit ratings to A2 with a positive outlook

Global Credit Research - 29 Mar 2017

Moody's reduces Belgium's macro profile to Very Strong- and affirms ING Belgium and Axa Bank Europe's ratings

Paris, March 29, 2017 -- Moody's Investors Service, ("Moody's") has upgraded Belfius Bank SA/NV (Belfius)'s long-term senior unsecured debt and deposit ratings, as well as Belfius Financing Company S.A's backed senior unsecured rating, to A2 from A3. The outlook on these ratings was changed to positive from stable. The rating agency also upgraded both entities' short-term ratings to Prime-1, from Prime-2. Moody's upgraded Belfius's baseline credit assessment (BCA) to baa2, from baa3, reflecting the bank's improving financial profile. The agency upgraded Belfius' subordinated and junior subordinated debt ratings to Baa3 and Ba1(hyb), from Ba1 and Ba2(hyb) respectively. The bank's long-term counterparty risk (CR) assessment was also upgraded to A1(cr), and its short-term CR assessment affirmed at Prime-1(cr).

Moody's also revised downwards its macro profile for Belgium to Very Strong-, from Very Strong, to reflect a slightly weaker operating environment following the agency's reduced GDP growth forecast in Belgium. This change affects the weighted macro profiles of ING Belgium SA/NV and Axa Bank Europe NV/SA, both of which move to Very Strong- from Very Strong. However, in Moody's view this does not materially impact the intrinsic credit strength of either bank, leading the agency to affirm ING Belgium SA/NV's and Axa Bank Europe NV/SA's BCAs at baa1 and baa3, respectively, and their deposit ratings at A1 and A2, respectively. The outlook on the long-term ratings of these entities remains stable.

A list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The upgrade of Belfius' BCA to baa2 primarily reflects the bank's restored franchise and increasing track record in improving its overall financial profile, bringing it back in line with its main Belgian peers. In particular, Belfius reduced its legacy assets (bonds, credit guarantees and funding to Dexia) to EUR 10.5 billion, in December 2016, from EUR 73.9 billion in 2011, and discontinued the "Side" business line, where those legacy exposures were booked for efficiency purposes, as planned. Furthermore, despite the low interest rate environment, which dented its net interest margin in 2016, Belfius's profitability has increased thanks to the low credit cost of its large mortgage and public sector loan books, and steady loan growth. The bank's capitalization has also further improved, to reach a Basel III fully loaded Common Equity Tier 1 (CET1) ratio of 16.1% in December 2016. Belfius's regulatory capital is, however, dependent on model assumptions on its low-default public sector portfolio and regulatory options on the non-deductibility of equity participation in insurance companies (Danish compromise).

Belfius' A2 deposit and senior unsecured debt ratings also reflect very low loss-given-failure, which translates into a two-notch uplift from the bank's BCA, under Moody's advanced Loss Given Failure (LGF) analysis. In addition, deposits and senior unsecured debt benefit from a moderate probability of government support, as the agency considers Belfius to be a systemic bank in Belgium; this results in an additional one-notch uplift from the bank's BCA.

The positive outlook on Belfius's senior unsecured debt rating reflects Moody's expectations that Belfius' capital and profitability will continue to improve over the next 12-18 months owing to a low cost of risk, growing commission income stemming from insurance and off-balance sheet savings, and the continuation of its de-risking policy.

WHAT COULD CHANGE THE RATING UP/DOWN

Belfius' long-term and short-term ratings could be upgraded as a result of an upgrade of its BCA. Its BCA would likely be upgraded if risk concentrations in the bank's loan and investment portfolios were to be further reduced, its profit growth were to accelerate, and/or its capital position continue to strengthen above current expectations. Belfius' deposit and senior unsecured ratings could also be upgraded as a result of material

issuance of additional subordinated debt, which would substantially decrease loss-given-failure.

The outlook on Belfius' long-term ratings being positive, the likelihood of a downgrade is low. However, Belfius's BCA could nevertheless be downgraded as a result of unexpected losses arising from its investment and/or loan book. A downgrade of its BCA would likely result in a downgrade of all Belfius's ratings.

LIST OF AFFECTED RATINGS

Issuer: Belfius Bank SA/NV

..Affirmations:

....ST Counterparty Risk Assessment, affirmed P-1(cr)

..Upgrades:

....LT Counterparty Risk Assessment, upgraded to A1(cr) from A2(cr)

....LT Bank Deposits, upgraded to A2 Positive from A3 Stable

....ST Bank Deposits, upgraded to P-1 from P-2

....LT Deposit Note/CD Program, upgraded to (P)A2 from (P)A3

....ST Deposit Note/CD Program, upgraded to (P)P-1 from (P)P-2

....Senior Sub LT Deposit Program, upgraded to (P)Baa3 from (P)Ba1

....Senior Unsecured Regular Bond/Debenture, upgraded to A2 Positive from A3 Stable

....Senior Unsecured Medium-Term Note Program, upgraded to (P)A2 from (P)A3

....Subordinate Regular Bond/Debenture, upgraded to Baa3 from Ba1

....Subordinate Medium-Term Note Program, upgraded to (P)Baa3 from (P)Ba1

....Junior Subordinated Regular Bond/Debenture, upgraded to Ba1(hyb) from Ba2(hyb)

....Adjusted Baseline Credit Assessment, upgraded to baa2 from baa3

....Baseline Credit Assessment, upgraded to baa2 from baa3

..Outlook Action:

....Outlook changed to Positive from Stable

Issuer: Belfius Financing Company S.A

..Upgrades:

....Backed Senior Unsecured Regular Bond/Debenture, upgraded to A2 Positive from A3 Stable

....Backed Senior Unsecured Medium-Term Note Program, upgraded to (P)A2 from (P)A3

....Backed Subordinate Regular Bond/Debenture, upgraded to Baa3 from Ba1

....Backed Subordinate Medium-Term Note Program, upgraded to (P)Baa3 from (P)Ba1

....Backed Junior Subordinated Regular Bond/Debenture, upgraded to Ba1(hyb) from Ba2(hyb)

....Backed Commercial Paper, upgraded to P-1 from P-2

..Outlook Action:

....Outlook changed to Positive from Stable

Issuer: Axa Bank Europe NV/SA

..Affirmations:

....LT Counterparty Risk Assessment, affirmed Aa2(cr)

....ST Counterparty Risk Assessment, affirmed P-1(cr)

....LT Bank Deposits, affirmed A2 Stable

....ST Bank Deposits, affirmed P-1

....Adjusted Baseline Credit Assessment, affirmed a2

....Baseline Credit Assessment, affirmed baa3

..Outlook Action:

....Outlook remains Stable

Issuer: ING Belgium SA/NV

..Affirmations:

....LT Counterparty Risk Assessment, affirmed Aa3(cr)

....ST Counterparty Risk Assessment, affirmed P-1(cr)

....LT Bank Deposits, affirmed A1 Stable

....ST Bank Deposits, affirmed P-1

....Adjusted Baseline Credit Assessment, affirmed baa1

....Baseline Credit Assessment, affirmed baa1

..Outlook Action:

....Outlook remains Stable

Issuer: ING Belgium International Finance S.A.

..Affirmation:

....Backed Senior Unsecured Medium-Term Note Program, affirmed (P)A2

..Outlook Action:

....Outlook remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in January 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Laurent Le Mouel
Vice President - Senior Analyst
Financial Institutions Group
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Nicholas Hill
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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