

CREDIT OPINION

5 December 2023

Update



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RATINGS

Groupe Crelan

Domicile	Brussels, Belgium
Long Term CRR	Not Assigned
Long Term Issuer Rating	Not Available
Type	Not Available
Outlook	Not Available

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Groupe Crelan

Update following rating action

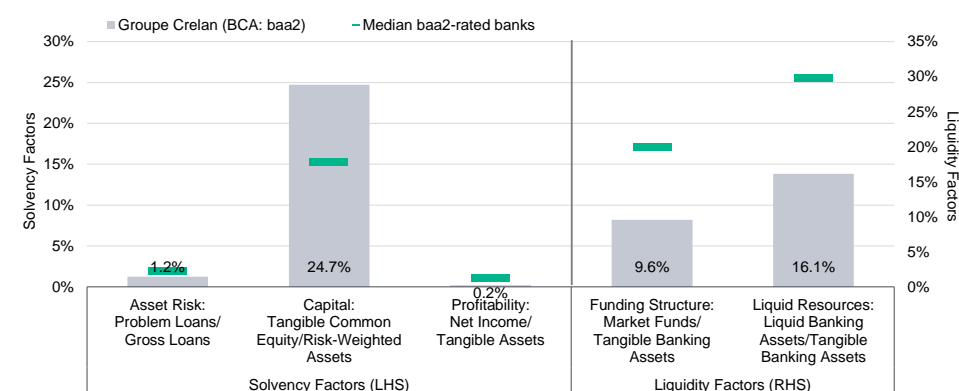
Summary

Crelan SA/NV's long-term deposit and issuer ratings of A3 reflect (1) the bank's Baseline Credit Assessment (BCA) of baa2; (2) one-notch uplift from our Advanced Loss Given Failure (LGF) analysis because of the low loss-given-failure of these instruments; and (3) one notch of rating uplift resulting from a moderate probability of government support in view of Crelan's likely systemic importance in Belgium.

Crelan's baa2 BCA reflects its low asset risk, robust capitalization, modest but resilient profitability, and sound funding structure and liquidity. These strengths are partly offset by its limited business diversification. The costs and operational risks related to the integration of [Axa Bank Belgium](#) (ABB) continue to constrain the BCA although we recognize that the process has been progressing smoothly since the acquisition of the entity at the end of 2021.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » Low asset risk profile resulting from the focus on the Belgian retail market
- » Robust capitalisation with significant headroom above capital requirements
- » Modest but resilient profitability commensurate with the group's low risk profile
- » Large and granular deposit base providing stable funding resources

Credit challenges

- » Integration costs and operational risks linked to the acquisition of ABB
- » Commercial franchise focused on the competitive Belgian mortgage market

Rating outlook

The outlook on Crelan SA/NV's long-term deposit and issuer ratings is positive, reflecting our expectation that the costs and risks associated with the integration of ABB will materially recede over the outlook horizon as the process gets closer to completion. We also expect that the bank's underlying profitability will continue to benefit from higher interest rates, even if its cost of funding and cost of risk should gradually increase. We consider that Crelan will at the same time be able to preserve its sound asset quality despite the economic slowdown and continued inflationary pressures, as well as its high solvency.

In addition to the positive trend stemming from the bank's BCA, the positive outlook on the long-term deposit rating also reflects the likelihood of a decrease in the loss-given-failure for depositors that would result from future issuances of more subordinated instruments needed by the group to meet its subordinated Minimum Requirement of Eligible Liabilities (MREL) that will come into effect in 2026.

Factors that could lead to an upgrade

- » The BCA and long-term ratings could be upgraded if Crelan manages to smoothly complete the integration of ABB which, combined with recovered net interest margins, will contribute to a sustainably stronger operating profitability, while preserving its high asset quality, robust capitalization, and sound liquidity position.
- » Although unlikely in the short-term, an upgrade of the BCA and long-term ratings could also result from a material improvement in Crelan's business diversification.
- » The long-term deposit, issuer and junior senior ratings could also be upgraded if further MREL-eligible debt issuance of subordinated and/or junior senior debt were to result in lower loss-given-failure for these instruments.

Factors that could lead to a downgrade

- » Although unlikely currently, the BCA and long-term ratings could be downgraded as a result of a material deterioration in the group's asset quality or liquidity, or unexpected operational difficulties in ABB's integration, which could prompt a weakening of its profitability and capitalisation.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

Groupe Crelan (Consolidated Financials) [1]

	06-23 ²	12-22 ²	12-21 ²	12-20 ²	12-19 ²	CAGR/Avg. ³
Total Assets (EUR Million)	54,059.4	53,842.3	53,011.9	22,819.2	20,883.1	31.2 ⁴
Total Assets (USD Million)	58,978.9	57,463.0	60,068.1	27,920.6	23,441.3	30.2 ⁴
Tangible Common Equity (EUR Million)	2,041.0	2,003.3	1,902.2	1,273.4	1,228.1	15.6 ⁴
Tangible Common Equity (USD Million)	2,226.7	2,138.1	2,155.4	1,558.1	1,378.5	14.7 ⁴
Problem Loans / Gross Loans (%)	1.2	1.1	1.1	1.6	1.8	1.3 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	24.7	22.5	16.4	--	22.6	21.6 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	24.9	24.7	23.5	20.4	22.8	23.3 ⁵
Net Interest Margin (%)	1.8	1.3	0.7	1.2	1.3	1.3 ⁵
PPI / Average RWA (%)	3.5	2.2	--	--	1.2	2.3 ⁶
Net Income / Tangible Assets (%)	0.2	0.3	0.1	0.2	0.3	0.2 ⁵
Cost / Income Ratio (%)	70.1	72.5	69.5	77.5	78.2	73.5 ⁵
Market Funds / Tangible Banking Assets (%)	9.4	9.6	11.0	4.9	4.5	7.9 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	15.6	16.1	12.6	17.6	13.7	15.1 ⁵
Gross Loans / Due to Customers (%)	111.2	112.0	110.3	89.0	97.2	103.9 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

Crelan is a Belgian cooperative banking group headquartered in Brussels and fully owned by 276,805 individual cooperative shareholders. The cooperative group, constituting a "federation of credit institutions" (referred to in the rest of the report as the federation) under the Belgian law, includes (i) the cooperative company CrelanCo, issuing cooperative shares to private individuals, and (ii) Crelan SA/NV, acting as the central body and refinancing vehicle for the whole group. CrelanCo and Crelan SA/NV are both credit institutions which conduct banking activities and have loans on their balance sheets, but the daily management of CrelanCo is delegated to Crelan SA/NV's executive committee. Both CrelanCo and Crelan SA/NV book loans on their respective balance sheets, but this has no particular bearing for our analysis and only reflects historical and practical reasons.

The federation of credit institutions is governed under the Belgian law by articles 239 to 241 of the Act of 25 April 2014 on the status and supervision of credit institutions and by the rules of affiliation of the federation. Under the Belgian law, the obligations of the affiliated institution (CrelanCo) and the central institution (Crelan SA/NV) are joint and several. For regulatory purposes, CrelanCo and Crelan SA/NV are therefore considered as one reporting entity.

Crelan offers loans to individuals, professionals and farmers.

Acquisition of ABB by Groupe Crelan

On 31 December 2021, Crelan SA/NV acquired 100% of ABB from French insurance group [AXA](#) (A2 stable). Concurrently, Crelan transferred 100% of Crelan Insurance to AXA Belgium, AXA's insurance subsidiary in Belgium. Crelan and AXA also concluded a long-term distribution agreement under which Crelan will distribute AXA's property and casualty (P&C) insurance and loan insurance products in Belgium. Crelan offers life insurance savings through a partnership with [Allianz](#) (Aa3 stable) and asset management through various partnerships, notably with Amundi and AXA Investment Managers.

Groupe Crelan paid €611 million¹ in net cash consideration to AXA for ABB's shares and the transfer of Crelan Insurance shares (valued at €80 million) to AXA. It also purchased ABB's €90 million Additional Tier 1 which had been subscribed by AXA. These cash considerations were paid from Crelan's own resources and the issuance of subordinated debt. As part of the transaction, Crelan SA/NV issued €245 million Additional Tier 1 securities, which were bought by AXA, and €200 million Tier 2 debt, bought by external investors.

As of end-June 2023, the consolidated group has a network of 817 retail branches in Belgium (down from 881 as of end-June 2022), including 445 Crelan branches, 47 branches owned by its subsidiary Europabank and 325 ABB branches. Both Crelan and ABB's branches are operated by independent agents. Total consolidated assets as of end-June 2023 amounted €54.1 billion. The group

currently ranks as the fifth bank measured against market shares of deposits and residential mortgages in Belgium. We expect ABB's integration to complete in H1 2024 with an eventual legal merger of ABB into Crelan SA/NV, at which point we will withdraw ABB's ratings.

Detailed credit considerations

Crelan's asset quality is strong

Crelan's focus on lending to Belgian retail, professional and agricultural clients results in a very granular loan book and a low risk profile overall. As of end-June 2023, 83% of the consolidated loan portfolio² were retail loans, the vast majority of which were housing loans (79%) and the rest were consumer loans (4%). Loans to professionals and agricultural loans represented 12% and 4% respectively of the total portfolio at the same date.

Similar to other European markets, transaction volumes in the Belgian mortgage market have dropped by 40% compared to recent peak years and are now back to pre-2019 levels. Growth in house prices have also materially decelerated from the strong rise between 2019 and 2021. Crelan's mortgage production has followed the same trend with a drop of around 35% in H1 2023 compared to the same period in 2022. As a result of the slowdown in loan production,³ Crelan's loan book only increased by 1.2% to €48.3 billion at end-June 2023 from €47.8 billion at year-end 2022, down from a growth rate of 4.5% in full-year 2022 and 7.1% in 2021.

Asset quality is good, with problem loans at 1.2% of gross customer loans at end-June 2023, slightly up from 1.1% at year-end 2022 and year-end 2021.⁴ As of the same date, the stage 3 ratio was 0.9% within the retail portfolio and 3.1% in the corporate portfolio.⁵ The group's stage 2 ratio materially increased at year-end 2022 (9.6%) from year-end 2021 (2.5%) as a result of both tightening in staging criteria and the fact that the stage 2 ratio was particularly low at the end of 2021 because of the application of purchase accounting under IFRS 3 (business combination) on ABB's portfolio in the context of the acquisition of ABB by Crelan.⁶ The stage 2 loan ratio slightly improved since then to 8.6% at end-June 2023.

Strong asset quality is also reflected in low cost of risk, which excluding all specific items related to the acquisition of ABB and the sale of Crelan Insurance, was a net release of €7 million in 2021 (or around 2 basis points of average loans), a net charge of €25 million in 2022 (or around 5 basis points) and of €16.5 million in H1 2023 (or around 7 basis points annualised). At end-June 2023, the total stock of loan loss provisions of €190 million,⁷ 45% of which were forward-looking provisions (stage 1 and stage 2), covered 34% of stage 3 loans.⁸ These provisions include €26 million of management overlay.

The assigned asset risk score of a2, two notches below the macro-adjusted score of aa3 takes account of the risk of some deterioration in asset quality as a result of uncertainties related to inflation and subdued economic growth outlook. The negative impact of inflationary pressures on mortgage borrowers' creditworthiness is to a large extent mitigated by salary indexation in Belgium as well as the fact that mortgages are essentially fixed-rate.

Capitalisation is robust on a risk-weighted basis and well above minimum requirements

Crelan's consolidated Common Equity Tier 1 (CET1) ratio was 23.3% at end-June 2023 (year-end 2022: 21.3%; year-end 2021: 15.9%), well above its minimum CET1 requirement of 12.7%⁹ under the Supervisory Requirement and Evaluation Process (SREP). As a bank supervised by the European Central Bank since the acquisition of ABB, an O-SII buffer of 0.75% has started to apply to Crelan from 1 January 2023. Since 1 May 2022, the minimum regulatory requirement also includes the sectoral systemic risk buffer, a macro-prudential tool aimed at ensuring that banks in Belgium have sufficient capital buffers when risks materialize in the domestic mortgage market. This buffer (which replaced the macro-prudential risk-weighted asset -RWAs - add-on that the Belgian banks had to apply until then on Belgian real estate exposures), is currently calculated as 9% of the risk-weighted exposures to Belgian mortgages. This ratio will be revised down to 6% from 1 April 2024 concurrently with the reactivation of a countercyclical buffer (CCyB) of 0.5%. The CCyB will further rise to 1% from 1 October 2024. All other things being equal, Crelan expects the combination of a lower sectoral systemic buffer and higher CCyB to result in around 30 basis points increase in the CET1 requirement as of year-end 2024.

Crelan's regulatory leverage ratio was 3.9% at end-June 2023, broadly stable from year-end 2022 and somewhat down from 4.1% at year-end 2021.¹⁰ The group forecasts a ratio in excess of 4% for year-end 2023.

Thanks to its mutualist nature, Crelan regularly issues mutual shares in order to boost its capitalisation. The group benefited from a €17 million capital increase through issuance of mutual shares in 2022 (nil in 2021, €25 million in 2020 and €53 million in 2019). Crelan

would be able to boost its capitalisation if needed by tapping into ABB's 852 thousand customers (as of end-June 2023) in order to issue new cooperative shares.

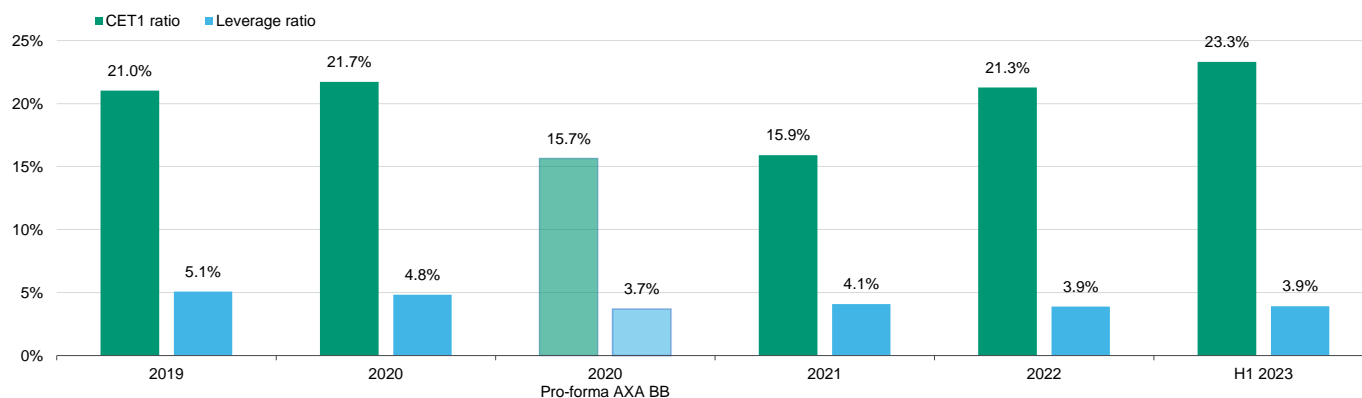
Crelan currently has about 277 thousand cooperative shareholders out of its 1.8 million customers (including 852 thousand from ABB), with cooperative shares worth €912 million as of end-June 2023 (48% of group CET1 capital). The maximum dividend they can pay on cooperative shares is capped at 6% of the shares nominal value, as set by the rules of the federation and by the law. The coupon on cooperative shares was 3.0% of nominal during the period 2017-2021 and was raised to 4% in 2022. The payment to cooperative shareholders was €35.5 million which represented a payout ratio of 22% of the group's consolidated net income (up from 26.6 million or 14% of the group's recurring consolidated net income in 2021, i.e. including contribution from ABB but excluding specific items related to the acquisition of ABB and sale of Crelan insurance). The group's earnings retention therefore remains high compared to Belgian peers.

Crelan's minimum requirement for own funds and eligible liabilities (MREL) was set at 6.58% of total exposure amount,¹¹ to be met by 30 June 2025. Including the €0.6 billion senior non-preferred (SNP) debt issued in September 2023, Crelan already meets this requirement with a pro forma MREL ratio of 6.79% of total exposure amount at end-June 2023. Crelan will also be subject to a subordinated MREL requirement of 7.66% of total exposure measure as from 2 May 2026. The group intends to meet this subordinated MREL requirement by the end of 2023 or early 2024 by issuing another €0.6 billion SNP.

The assigned capital score of aa3, two notches below the macro-adjusted score of aa1, reflects the robust risk-weighted capital ratio of the group, partly offset by its relatively low leverage ratio.

Exhibit 3

Crelan's capitalisation is robust given its risk profile



Source: Bank's reports

Profitability benefits from the rise in interest rates

Crelan reported a very strong rise in net banking income in H1 2023 (+40% on H1 2022) underpinned by a substantial rise in net interest income. We nonetheless believe that the level of revenues the group has been generating since the beginning of the year is temporary and that its income will normalize as higher interest rates are progressively passed on to customers savings' rates. While the improved interest rate environment is positive for Crelan's earnings generating capacity, its profitability will remain constrained in the long-term because of its focus on the competitive Belgian retail market (especially the mortgage market) and its modest product diversification. On the other hand, the dominance of housing loans ensures a low risk profile and limited cost of risk.

In 2021, Crelan's reported net result was affected by one-offs related to the acquisition of ABB.¹² In 2022 and H1 2023, specific or temporary items including the effect of IFRS 3¹³ and integration costs (of which one-off investment in IT migration and optimization of the banking platform) have continued to distort the group's reported net profit. Hence, the development in Crelan's bottom-line since 2021 does not yet provide a meaningful view of its profitability.

The underlying profit nonetheless increased by 8.4% to €164 million in 2022 from €151 million (proforma) in 2021 and more than doubled to €150 million in H1 2023 from €69 million in H1 2022. The progress of 2022 was achieved thanks to 35% increase in pre-provision income, partly offset by higher loan loss provisions. The strong rise in the underlying profit in H1 2023 was underpinned by a substantial increase in pre-provision income (+163% on H1 2022), only partially offset by a slight increase in the cost of risk. The increase in pre-provision income was boosted by 68% increase in net interest income, which more than absorbed the rise in operating expenses (+12%) that mainly stemmed from higher commissions paid to the independent agent network (+23%).¹⁴

As a result of relatively short repricing periods retained in the modeling of customer deposits and a hedging strategy minimising interest rate gaps, a substantial share of the group's balance-sheet has repriced since the middle of 2022.¹⁵ The low pass-through rate of the rise in interest rates on deposits until this summer has implied a substantial improvement in deposit margins, driving the strong rise in the group's net interest income in H1 2023. Although customer deposits are a structurally abundant resource in Belgium and represent a less competitive market than, for example, mortgages, their cost has started to increase in H2 2023 as banks are progressively raising the savings' rates and more customers are moving their cash holdings to better remunerated term accounts.¹⁶ Crelan's net interest margins will therefore likely peak in 2023 and normalize in the course of 2024.

We expect the merger between Crelan and ABB to result in cost synergies, part of which will likely be offset by inflationary pressures on operating expenses. Integration and IT migration costs¹⁷ (excluded from the aforementioned underlying profit calculation) will continue to weigh on the group's bottom-line profit in 2023 and to a lesser extent in 2024.

The assigned score for profitability is adjusted up to ba3 from the macro-adjusted score of b1, reflecting the improvement in the bank's underlying profitability. It nonetheless incorporates both the normalisation of net interest income to somewhat lower levels than in 2023 and the expectation of rising cost of risk from the extremely low levels reported since 2021.

The bank has a sound liquidity and funding structure

Crelan's loan-to-deposit ratio was 111% at end-June 2023, broadly stable since the acquisition of ABB at the end of 2021. Despite the ratio somewhat deteriorated¹⁸ with the acquisition because of the material retail customer funding deficit at ABB, the group's deposit base is large and granular.

Reliance on markets funds is therefore relatively limited as reflected in a market funds-to-tangible-banking-asset ratio of 9.4%¹⁹ at end-June 2023 (year-end 2022: 9.6%; year-end 2021: 11%). The vast majority of the group's wholesale funding consists of long-term resources including covered bonds issued through its issuing vehicle AXA Bank Europe SCF (61% of total wholesale funding as of end-June 2023), senior non-preferred debt (SNP, 11%²⁰), borrowings from the TLTRO (17%), savings bonds distributed by Crelan (5%) and ABB's European medium term notes (4%). Based on our estimations, some 25% to 30% of the outstanding wholesale funding at end-June 2023 (including the TLTRO) will be maturing within a year, but the amount is more than four times covered by Crelan's liquidity portfolio. Part of the maturing debt will be replaced by the planned issuance of €0.6 billion SNP debt by the end of 2023 or early 2024²¹

We also continue to believe that Crelan's deposit quality is good because they are retail by nature and very granular, providing the group with a stable funding source. As of end-June 2023, 77% of its €43 billion customer deposits were insured.

Crelan's €8.4 billion on-balance-sheet liquid assets at end-June 2023²² was 87% composed of cash at central banks, 8% of highly rated securities portfolio (98% of which were government bonds) and 5% were amounts due from banks. The unrealised losses on the investment portfolio was negligible at €23.4 million at end-June 2023 or 1.2% of the group's CET1 capital.

The Liquidity Coverage Ratio (LCR) and the Net Stable Fund Ratio (NSFR) were at a comfortable 191% and 148% at end-June 2023.

The sound liquidity and funding structure are reflected in a combined liquidity score of baa1.

Qualitative adjustment

Crelan's baa2 BCA reflects its Financial Profile score of baa1, which, however, is adjusted downward by one notch to reflect the group's limited franchise outside residential mortgages.

ESG considerations

Crelan SA/NV's ESG credit impact score is CIS-2

Exhibit 4

ESG credit impact score

CIS-2



ESG considerations do not have a material impact on the current rating.

Source: Moody's Investors Service

Crelan's **CIS-2** reflects the fact that ESG considerations are not material to the rating.

Exhibit 5

ESG issuer profile scores

ENVIRONMENTAL

E-3



SOCIAL

S-4



GOVERNANCE

G-2



Source: Moody's Investors Service

Environmental

Crelan faces moderate exposure to environmental risks primarily because of its exposure to carbon transition risk from its loan portfolio of small and medium-sized companies. Like its peers, Crelan is facing increasing business risks and stakeholders' pressure to meet more demanding carbon transition targets. Crelan has started directing its investment portfolio towards less carbon-intensive assets.

Social

Crelan faces high industrywide social risks, related to regulatory and litigation risks, requiring the bank to meet high compliance standards. The Belgian supervisor's focus on mis-selling and misrepresentation may involve negative implications, which are mitigated by internal policies and procedures. Crelan's high cyber and personal data risks are mitigated by technology solutions and organizational measures to prevent data breaches.

Governance

Crelan faces low governance risks. Crelan's risk management policies and procedures are in line with industry best practices. Nonetheless, the bank has undergone a major acquisition, doubling its size and significantly increasing its financial leverage. This is mitigated by Crelan's proven track record of contained risk appetite in its lending and investment activities and by its plan to progressively reduce its financial leverage. Despite its cooperative nature which results in a specific governance set-up, Crelan has a relatively simple legal structure, reflecting its domestic retail franchise.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure analysis

Crelan is subject to the European Union Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions. Because Crelan's deposits are mainly retail in nature, we assume 90% of them will be preferred (and 10% being junior) in an event of failure.

Our advanced Loss Given Failure analysis as of end-June 2023 (also taking into account the €600 million junior senior debt issued in September this year) indicates a low loss-given-failure for both deposits and senior unsecured debt, resulting in one notch of uplift from the Adjusted BCA.

The loss-given-failure for the junior senior unsecured debt and the subordinated debt is low, resulting in a rating one notch below the baa2 Adjusted BCA.

Government support

We expect a moderate probability of government support in favour of deposits and senior unsecured debt, in view of Crelan's likely systemic importance in Belgium after its merger with ABB. This results in one notch of rating uplift.

Counterparty Risk Ratings

Crelan's CRRs are (P)A1/(P)Prime-1.

The CRR, are positioned three notches above the Adjusted BCA of baa2 reflecting their extremely low loss-given-failure given the high volume of instruments that are subordinated to CRR liabilities. In addition, the CRR benefit of one notch of government support uplift.

Counterparty Risk (CR) Assessment

Crelan's CR Assessment is A1(cr)/Prime-1(cr)

The CR Assessment is positioned three notches above the Adjusted BCA of baa2, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The CR Assessment also benefits from one notch of government support uplift.

Rating methodology and scorecard factors

Exhibit 6

Groupe Crelan

Macro Factors										
Weighted Macro Profile		Strong +		100%						
Factor		Historic Ratio	Initial Score	Expected Trend	Assigned Score		Key driver #1		Key driver #2	
Solvency										
Asset Risk										
Problem Loans / Gross Loans		1.2%	aa3	↔	a2		Expected trend			
Capital										
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		24.7%	aa1	↔	aa3		Nominal leverage			
Profitability										
Net Income / Tangible Assets		0.2%	b1	↑	ba3		Expected trend			
Combined Solvency Score			a2		a3					
Liquidity										
Funding Structure										
Market Funds / Tangible Banking Assets		9.6%	a1	↔	a3		Expected trend			
Liquid Resources										
Liquid Banking Assets / Tangible Banking Assets		16.1%	baa2	↔	baa3		Expected trend			
Combined Liquidity Score			a3		baa1					
Financial Profile					a3					
Qualitative Adjustments					Adjustment					
Business Diversification					-1					
Opacity and Complexity					0					
Corporate Behavior					0					
Total Qualitative Adjustments					-1					
Sovereign or Affiliate constraint					Aa3					
BCA Scorecard-indicated Outcome - Range					a3 - baa2					
Assigned BCA					baa2					
Affiliate Support notching					0					
Adjusted BCA					baa2					
Balance Sheet			in-scope (EUR Million)		% in-scope		at-failure (EUR Million)		% at-failure	
Other liabilities			7,643		14.2%		10,668		19.8%	
Deposits			43,209		80.0%		40,185		74.4%	
Preferred deposits			38,888		72.0%		36,944		68.4%	
Junior deposits			4,321		8.0%		3,241		6.0%	
Senior unsecured bank debt			285		0.5%		285		0.5%	
Junior senior unsecured bank debt			800		1.5%		800		1.5%	
Dated subordinated bank debt			210		0.4%		210		0.4%	
Preference shares (bank)			245		0.5%		245		0.5%	
Equity			1,620		3.0%		1,620		3.0%	
Total Tangible Banking Assets			54,012		100.0%		54,012		100.0%	
Debt Class		De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional Preliminary
		Instrument	Sub-	Instrument	Sub-	De Jure	De Facto	Notching	LGF	Notching
		subordination	ordination	subordination	ordination			Guidance	notching	Rating
								vs.		Assessment
								Adjusted		
								BCA		
Counterparty Risk Rating		11.9%	11.9%	11.9%	11.9%	2	2	2	3	0
Counterparty Risk Assessment		11.9%	11.9%	11.9%	11.9%	3	3	3	3	0
Deposits		11.9%	5.3%	11.9%	5.9%	1	1	1	1	0
Senior unsecured bank debt		11.9%	5.3%	5.9%	5.3%	1	0	1	1	0
Junior senior unsecured bank debt		5.3%	3.8%	5.3%	3.8%	-1	-1	-1	-1	0

Dated subordinated bank debt	3.8%	3.5%	3.8%	3.5%	-1	-1	-1	-1	0	baa3
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating				
Counterparty Risk Rating	3	0	a2	1	A1	A1				
Counterparty Risk Assessment	3	0	a2 (cr)	1	A1(cr)					
Deposits	1	0	baa1	1	A3	A3				
Senior unsecured bank debt	1	0	baa1	1	(P)A3	(P)A3				
Junior senior unsecured bank debt	-1	0	baa3	0	Baa3	(P)Baa3				
Dated subordinated bank debt	-1	0	baa3	0	(P)Baa3	(P)Baa3				

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
AXA BANK BELGIUM	
Outlook	Positive
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
CRELAN SA/NV	
Outlook	Positive
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A3
Senior Unsecured MTN	(P)A3
Junior Senior Unsecured -Dom Curr	Baa3
Junior Senior Unsecured MTN	(P)Baa3
Subordinate MTN	(P)Baa3
ST Issuer Rating	P-2
Other Short Term	(P)P-2

Source: Moody's Investors Service

Endnotes

- Provisional acquisition price, subject to non-material price adjustments, based on November 2021 figures.
- Gross loans to customers (excluding credit institutions) totaled €48.3 billion at end-June 2023.
- The origination of agricultural and professional loans in H1 2023 were down by around 19% and 8% respectively over the same period.
- In this ratio, impaired loans include both stage 3 loans and those classified as "purchased or originated credit-impaired" or POCIs. POCIs correspond to the net carrying value of ABB's impaired loans
- The stage 3 ratios calculated on the consolidated loan portfolio of the group is somewhat higher than those on Crelan and ABB's standalone portfolios because of the impact of Europabank. Excluding Europabank, the group's stage 3 ratio was 0.6% on mortgages and around 2.1% on the rest of the portfolio. Europabank is a fully-owned subsidiary of Crelan specialised in consumer loans, mortgages, leasing and other banking and payment services to a niche client base of individuals and SMEs with typically a lower credit profile than the group's core customers. Europabank's stage 3 ratio was 5.4% at year-end 2022 (the peak over the past four years was 8.4% at year-end 2019). Although growing, Europabank's loan book is still very small relative to Crelan's aggregate loan book (€1.4 billion or 2.9% of Crelan's consolidated loans as of year-end 2022). Additionally, Europabank's revenues are commensurate with its risk profile, as reflected by its ability to consistently generate a return on asset exceeding 2% (net profit divided by outstanding loan book) since 2019 despite loan loss provisioning charges ranging from 39 basis points of gross loans (2022) to 107 basis points over the period.
- Under IFRS 3, the loans that were previously classified as stage 2 at ABB were reclassified into stage 1 at the closing of the transaction at year-end 2021. These loans were subsequently reclassified into stage 2.
- Up from €172 million at year-end 2022 and €151 million at year-end 2021.

- [8](#) The coverage of stage 3 loans by total provisions was 32% at year-end 2022 and 31% at year-end 2021.
- [9](#) The CET1 requirement of 12.7% at end-June 2023 is comprised of the Pillar 1 (4.5%), a Pillar 2 requirement (P2R, 1.78%), the capital conservation buffer (CCB, 2.5%), the sectoral systemic risk buffer of 3.13% and the other systemic institution buffer (O-SII, 0.75%).
- [10](#) The decrease in the leverage ratio compared to year-end 2021 comes from the fact that the temporary exclusion to the European Central Bank from the leverage exposure amount in the context of the pandemic was lifted in the course of 2022.
- [11](#) The total exposure measure is more constraining than the risk-weighted measure in the case of Crelan
- [12](#) One-offs of 2021 notably included €599 million positive impact of the recognition of the badwill following ABB's acquisition and €47 million capital gain upon the disposal of Crelan Insurance, partly offset by €30 million additional provisions recorded on ABB's loan book in the context of the closing of its acquisition by Crelan. Additionally, since ABB was acquired on 31 December 2021, Crelan's consolidated result of 2021 did not include ABB's contributions.
- [13](#) IFRS 3 is a standard issued by the IASB that provides guidance on accounting for business combinations.
- [14](#) Commissions paid to the agents directly depend on the bank's revenues.
- [15](#) The combination of short modelling of deposits and limited interest rate gaps means that Crelan has a material stock of assets at variable rate or that have been converted to variable rate.
- [16](#) The €22 billion issuance by the Belgian government of a one-year bond paying 3.3% interest rate in early September accelerated this increase in deposit beta.
- [17](#) These costs represented around 10% of the reported operating expenses of H1 2022
- [18](#) Crelan's loan-to-deposit ratio was around 90% at year-end 2020.
- [19](#) This is based on Moody's calculation.
- [20](#) This calculation is based on the amount of senior non-preferred SNP debt issued as of end-June 2023, i.e. €0.8 billion. Crelan issued an additional €600 million SNP debt in September 2023, bringing the total amount to €1.4 billion.
- [21](#) This issuance is needed to comply with the subordinated MREL requirement of 7.66% which will become effective from 2 May 2026. Please refer to the section on capital for further details.
- [22](#) Liquid resources as per Moody's calculation

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