

**Rating Action: Moody's assigns (P)Baa3 rating to Crelan SA/NV's junior senior unsecured medium-term note programme**

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21 Jun 2022

**Senior unsecured and Tier 2 subordinated medium-term note programme rated (P)A3 and (P)Baa3 respectively**

Paris, June 21, 2022 -- Moody's Investors Service ("Moody's") today assigned a provisional rating of (P)Baa3 to the junior senior unsecured (also referred to as senior non-preferred) Medium-Term Note (MTN) programme of Crelan SA/NV, the central body of Belgian cooperative banking group Crelan. Moody's also assigned provisional ratings of (P)A3 and (P)Prime-2 to its long-term and short-term senior unsecured MTN programme and (P)Baa3 to its Tier 2 dated subordinated MTN programme.

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

**RATINGS RATIONALE**

Crelan SA/NV's long-term senior unsecured MTN programme rating of (P)A3 reflects (1) the bank's Baseline Credit Assessment (BCA) of baa2; (2) one notch of uplift from Moody's Advanced Loss Given Failure (LGF) analysis stemming from these instruments' low expected losses in resolution; and (3) one notch of rating uplift resulting from a moderate probability of government support for senior creditors given Crelan SA/NV's systemic importance in Belgium. Post-acquisition of AXA Bank Belgium, which closed on 31 December 2021, the bank represented approximately 4% of the Belgian banking system's assets, 11% of Belgian residential mortgages and 10% of Belgian deposits.

Crelan SA/NV's baa2 BCA reflects the bank's good financial profile after its acquisition of AXA Bank Belgium, including low asset risk, solid capitalisation, modest but resilient profitability, although the bank has a limited business diversification, with a high focus on Belgian mortgages that represented around 84% of the combined loan portfolios of the two entities in 2021. The new group also exhibits sound liquidity and funding structure. The baa2 BCA also reflects Crelan SA/NV's key role as an issuing vehicle and the strong solidarity mechanisms existing within the cooperative group Crelan under Belgian law.

Crelan SA/NV's junior senior unsecured MTN programme rating of (P)Baa3 and Tier 2 dated subordinated MTN programme rating of (P)Baa3 reflect (1) the bank's BCA of baa2; (2) minus one notch from Moody's Advanced LGF analysis stemming from the high loss-given-failure of these instruments; and (3) no rating uplift resulting from a low probability of government support for junior senior unsecured and subordinated creditors. Given that the purpose of junior senior unsecured debt and Tier 2 subordinated debt is to provide additional loss absorption and improve the ability of authorities to conduct a smooth resolution, government support for these instruments is unlikely in Moody's view.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

An upgrade or downgrade of the senior unsecured MTN programme, junior senior unsecured MTN programme and Tier 2 dated subordinated MTN programme would occur if the bank's BCA was upgraded or downgraded, respectively.

An upgrade of Crelan SA/NV's BCA could result from an improvement of the new group's business diversification, reducing the share of residential mortgages in its loan book and increasing the proportion of fee and commission income derived from insurance and asset management sales. The BCA could also be upgraded if (1) the group's profitability were to increase structurally while its low risk profile would be kept unchanged and (2) its capitalisation substantially increased.

Conversely, a downgrade of Crelan SA/NV's BCA could result from a deterioration of asset quality and profitability, or unexpected operational difficulties in ABB's integration, which could prompt a weakening of its capitalisation.

An upgrade of the deposit ratings and senior unsecured and junior senior unsecured MTN programme ratings

could also occur if the bank were to issue substantial volumes of these instruments and/or higher volume of subordination under Moody's Advanced LGF analysis.

#### LIST OF AFFECTED RATINGS

Issuer: Crelan SA/NV

..Assignments:

...Senior Unsecured Medium-Term Note Program, assigned (P)A3

...Junior Senior Unsecured Medium-Term Note Program, assigned (P)Baa3

...Subordinate Medium-Term Note Program, assigned (P)Baa3

...Other Short Term, assigned (P)P-2

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Guillaume Lucien-Baugas  
Vice President - Senior Analyst  
Financial Institutions Group  
Moody's France SAS  
96 Boulevard Haussmann  
Paris, 75008  
France  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Olivier Paris  
Senior Vice President  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

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

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