

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Crelan's long-term deposit rating to A2 and its junior senior unsecured debt rating to Baa2

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Short-term deposit rating upgraded to Prime-1

Paris, May 02, 2024 -- Moody's Ratings (Moody's) today upgraded Crelan SA/NV (Crelan)'s long-term deposit rating to A2 from A3 and its junior senior unsecured debt (also referred to as "senior non-preferred") rating to Baa2 from Baa3. Concurrently, Moody's upgraded Crelan's short-term deposit rating to Prime-1 from Prime-2 and its junior senior unsecured MTN program rating to (P)Baa2 from (P)Baa3. Moody's also upgraded Axa Bank Belgium (ABB)'s long-term deposit rating to A2 from A3 and its short-term deposit rating to Prime-1 from Prime-2. The outlook on Crelan and ABB's long-term deposit ratings remains positive.

The rating agency also affirmed Crelan's long-term and short-term issuer ratings of A3 and Prime-2 respectively, its Other Short Term program rating of (P)Prime-2, its senior unsecured MTN program rating of (P)A3, its subordinate debt and MTN program ratings of Baa3 and (P)Baa3 respectively, its long-term and short-term Counterparty Risk Assessments (CR Assessments) of A1(cr) and Prime-1(cr) respectively, and its long-term and short-term Counterparty Risk ratings (CRR) of A1 and Prime-1 respectively. The outlook on Crelan's long-term issuer rating remains positive.

Finally, Moody's also affirmed ABB's long-term and short-term CR Assessments of A1(cr) and Prime-1(cr) respectively, and its long-term and short-term CRRs of A1 and Prime-1 respectively.

Crelan and ABB's Baseline Credit Assessment (BCA) and Adjusted BCA of baa2 remain unaffected by today's rating action.

RATINGS RATIONALE

The upgrade of the long-term deposit rating to A2 from A3 and junior senior

unsecured debt rating to Baa2 from Baa3 reflects the increase in the volume of subordination to these instruments following the issuance of €300 million Tier 2 instruments by Crelan on 23 April 2024. The rating uplift under Moody's Advanced Loss Given Failure (LGF) analysis of two notches for the long-term deposit rating indicates a very low loss given-failure, and the alignment of the junior-senior debt rating with the BCA indicates a moderate loss-given-failure. In addition the A2 long-term deposit rating incorporates a moderate support assumption from the government of Belgium (Aa3, stable) due to Crelan's systemic importance in the country.

The upgrade of ABB's deposit rating follows the upgrade of Crelan's deposit rating. Since its acquisition by Crelan, ABB's ratings are all aligned with those of Crelan, reflecting Moody's expectations that the two banks will eventually be merged.

The €300 million Tier 2 debt issuance did not affect the other ratings of Crelan and ABB.

OUTLOOK

The positive outlook on Crelan's long-term deposit and issuer ratings reflects upward pressure on the BCA. Moody's notably expects that (1) the costs and risks associated with the integration of ABB will materially recede over the outlook horizon, and (2) 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.

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

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.

The long-term deposit, issuer and junior senior unsecured ratings could also be upgraded if the issuance of more subordinated debt were to further lower their loss-given-default.

Although unlikely currently given the positive outlook, the BCA and long-term and short-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.

The deposit, issuer and junior senior unsecured ratings could also be downgraded if their loss-given-default were to increase as a result of lower subordination.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in

March 2024 and available at <https://ratings.moodys.com/rmc-documents/409852>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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