

**Rating Action: Moody's takes rating actions on four Belgian banks and one Luxembourgish bank following update to banks methodology**

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13 Jul 2021

Paris, July 13, 2021 -- Moody's Investors Service (Moody's) has today taken rating actions on four Belgian banks, KBC Bank N.V., Belfius Bank SA/NV, Crelan SA/NV and ING Belgium SA/NV; and one Luxembourgish bank, Banque Internationale a Luxembourg (BIL). The rating actions were driven by revisions to Moody's Advanced Loss Given Failure (Advanced LGF) framework, which is applied to banks operating in jurisdictions with Operation Resolution Regimes, following the publication of Moody's updated Banks Methodology on 9 July 2021. This methodology is available at this link: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1269625](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625) .

Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL449327](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL449327) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

All other Belgian and Luxembourgish banks were unaffected by today's rating action and the update of the banks methodology.

**RATINGS RATIONALE**

Today's rating actions on four Belgian and one Luxembourgish banks were driven by revisions to the Advanced Loss Given Failure framework within Moody's updated banks methodology.

In particular, ratings were impacted by revised notching guidance table thresholds, at lower levels of subordination and volume in the liability structure. For banks with overseas subsidiaries the rating actions also reflects Moody's view that group-wide resolutions coordinated in a unified manner will be more common following the requirement to issue internal loss absorbing capital (ILAC), leading to a likely transfer of losses from subsidiaries to parents at the point of failure. For banks that are subsidiaries of international parents and subject to ILAC requirements the rating actions reflects the required and expected issuance of such instruments. The update further includes the consideration of all Additional Tier 1 (AT1) securities issued by banks domiciled in Belgium and Luxembourg in Moody's Advanced LGF framework, eliminating the previous analytical distinction between those high trigger instruments that were deemed to provide equity-like absorption of losses before the point of failure and other AT1 securities.

- KBC Bank N.V.

Moody's downgraded the long-term deposit ratings of KBC Bank N.V. to A1 from Aa3. The outlook remains stable. The rating agency also downgraded the backed senior unsecured debt and Medium Term Notes (MTN) programme ratings of KBC IFIMA S.A. to A2 from A1, and to (P)A2 from (P)A1, respectively.

- The downgrade of the bank's long-term deposit ratings and of KBC IFIMA S.A.'s backed senior unsecured ratings reflects Moody's expectation that the group will be resolved in a unified manner alongside its main overseas subsidiaries. The rating agency considers that issuance of loss absorbing instruments from Ceskoslovenska Obchodni Banka, a.s. in Czech Republic, Ceskoslovenska obchodna banka (Slovakia), Kereskedelmi & Hitel Bank Rt. in Hungary and KBC Bank Ireland PLC to KBC Group will likely result in the effective transfer of losses in a resolution to KBC Group N.V., which has been designated as the single point of entry. The inclusion of the tangible banking assets of the subsidiaries within Moody's Advanced LGF analysis results in a reduced level of uplift from the bank's Baseline Credit Assessment (BCA), reflecting the greater volume of losses the bank's liabilities will be expected to absorb following a failure. KBC's expected withdrawal from the Irish market, which will lead Moody's to exclude the tangible banking assets of KBC Bank Ireland PLC from its Advanced LGF analysis, would not affect the level of uplift.

- ING Belgium SA/NV

Moody's affirmed the long-term deposit ratings of ING Belgium SA/NV of A1. The outlook remains stable. Moody's also upgraded ING Belgium International Finance S.A.'s backed senior unsecured MTN programme

rating to (P)A1 from (P)A2.

- The action reflects the expectation that ING Belgium SA/NV will be resolved in a unified manner alongside its overseas parent ING Groep N.V. and ING Bank N.V. The inclusion of ING Belgium SA/NV's junior senior instruments to be subscribed by its parent in its forward-looking Advanced LGF analysis results in a further one notch uplift to the deposit and senior unsecured MTN programme ratings to a total of three and two notches respectively. This reflects the greater level of protection afforded to the bank's depositors and senior creditors.

The bank's long-term deposit rating however was affirmed at A1 as the uplift from its baa1 BCA, stemming from the higher internal capacity to absorb losses, brings with it no further uplift from the moderate support from the government of Belgium because the government bond rating is slightly higher at Aa3.

ING Belgium International Finance S.A.'s backed senior unsecured MTN programme rating benefits from one notch government support uplift, resulting in a rating of (P)A1.

- Belfius Bank SA/NV

Moody's upgraded Belfius Bank SA/NV's junior senior unsecured debt and MTN programme ratings to Baa1 from Baa2 and to (P)Baa1 from (P)Baa2, respectively.

The bank's junior senior unsecured debt and MTN programme ratings were upgraded by one notch, as under Moody's Advanced LGF analysis they are now rated in line with the baa1 BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure.

- Crelan SA/NV

Moody's upgraded Crelan SA/NV's provisional long-term deposit and issuer ratings to (P)A3 from (P)Baa1.

The bank's provisional long-term deposit and issuer ratings were upgraded by one notch in order to better reflect the risk characteristics of these classes of instruments under Moody's Advanced LGF analysis, following Moody's revised view around the distribution of losses post failure.

- Banque Internationale a Luxembourg (BIL)

Moody's upgraded BIL's junior senior unsecured debt and MTN programme ratings to Baa2 from Baa3 and to (P)Baa2 from (P)Baa3, respectively.

The bank's junior senior unsecured debt and MTN programme ratings were upgraded by one notch, as under Moody's Advanced LGF analysis they are now rated in line with the baa2 BCA, which better captures the risk characteristics of this class of debt following the agency's revised view around the distribution of losses post failure. Moody's revised view of the capital instruments likely to provide BIL with equity-like loss absorption before the point of non-viability triggered the removal of €175 million of equity credit for high trigger AT1 instruments from the bank's tangible common equity, and adding it to BIL's post failure loss absorption capacity under Moody's LGF analysis.

## OUTLOOK

The outlooks on the long-term deposit ratings of ING Belgium SA/NV and KBC Bank N.V., as well as on the backed senior unsecured debt ratings of KBC IFIMA S.A., were maintained. The outlooks on all other issuers remain unaffected.

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

The affected long-term deposit ratings, senior unsecured debt ratings, issuer ratings, and junior senior unsecured debt ratings could be upgraded following an improvement in the standalone creditworthiness of the banks, or an upgrade of the relevant country sovereign debt rating.

The long-term deposit, senior unsecured debt ratings, and issuer ratings could also be upgraded following a significant increase in the stock of more junior bail-in-able liabilities.

The affected ratings could be downgraded following a substantial deterioration in the standalone creditworthiness of the banks or following a significant reduction in the stock of bail-in-able liabilities.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1269625](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1269625) . Alternatively, please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL449327](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL449327) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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- UK Endorsement Status
- Rating Solicitation
- Issuer Participation
- Participation: Access to Management
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- Lead Analyst
- Releasing Office

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 at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moody.com](http://www.moody.com), for each of the ratings covered, Moody's disclosures on the lead rating

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Roland Auquier  
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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