MOODY'S
INVESTORS SERVICE

CREDIT OPINION
26 May 2020

Update

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RATINGS

Dexia Credit Local

Domicile	Paris, France
Long Term CRR	Baa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Baa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

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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Dexia Credit Local

Update to credit analysis

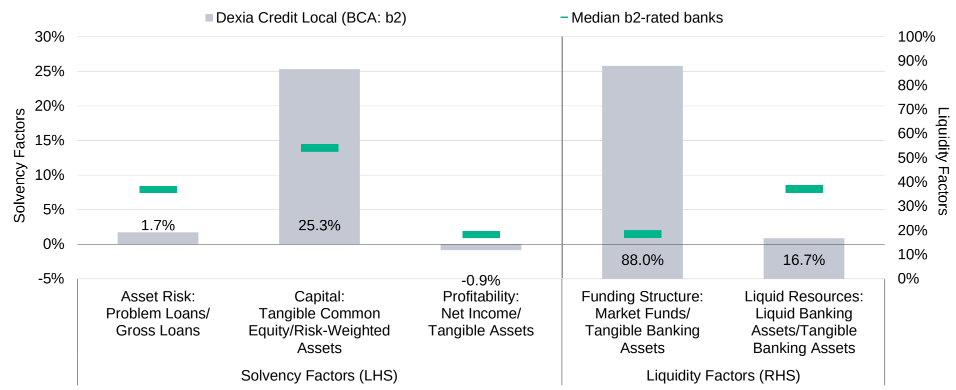
Summary

Dexia Credit Local's (DCL) long-term deposit and senior unsecured debt ratings of Baa3 with a stable outlook reflect (1) its Baseline Credit Assessment (BCA) of b2; and (2) a very high probability of support from the Government of France (Aa2 stable) and the Government of Belgium (Aa3 stable) under our Basic Loss Given Failure (LGF) approach, resulting in a five-notch rating uplift from the Adjusted BCA.

The b2 BCA reflects our view that the runoff plan for Dexia Group has so far been unfolding without any major disruption because of the extraordinary support provided by the governments of Belgium and France through the government-guaranteed debt program. It also factors in the risk that the group might need additional support during its prolonged runoff period.

We consider that any additional support needed from public authorities by an entity already in runoff would not necessarily result in a resolution under the European Union (EU) Bank Recovery and Resolution Directive (BRRD). Therefore, we assume that, in practice, the group is out of the scope of the EU BRRD and, hence, we apply our Basic LGF approach instead of our Advanced LGF approach.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Funding benefits from a large state-guaranteed debt programme.

» State ownership and government support for both capital and funding imply a high probability of further government support in case of need.

Credit challenges

» Dexia group is unable to generate profit on a sustained basis.

» Concentration risk is high despite good average asset quality.

» Dexia group might need further recapitalisation during its multiyear runoff.

Outlook

The outlook on DCL's long-term deposit and senior unsecured debt ratings is stable, reflecting our view that in the absence of any major turmoil affecting the bank's solvency or funding capacity, its wind-down will likely unfold according to the resolution plan.

We also believe that DCL will be less affected than commercial banks by the deteriorating economic environment due to the outbreak of the coronavirus. Although its net result could temporarily be subject to some accounting volatility as a result of markets' instability, its public sector-focused assets will likely be more resilient in the current crisis than banks' loans to the private sector. Access to financing remains robust thank to the ability to issue government-guaranteed debt.

Factors that could lead to an upgrade

DCL's BCA could be upgraded as a result of the bank's better-than-expected performance in the implementation of the orderly resolution plan. Given its runoff status, an upgrade of the bank's long-term ratings is unlikely, even if its BCA is upgraded.

Factors that could lead to a downgrade

» Significant deviations from the trend set out in the resolution plan could trigger a downgrade of DCL's BCA, which, in turn, could lead to a downgrade of the bank's long-term deposit and senior unsecured ratings.

» Any evidence from the guarantor states, from national or European resolution authorities that additional government support would not be provided or would be provided under conditions detrimental to unsecured investors could also likely result in a downgrade of the bank's long-term deposit and senior unsecured ratings.

Key Indicators

Exhibit 2

Dexia Credit Local (Consolidated Financials) [1]

	12-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	88,126.0	124,273.0	141,762.0	161,634.0	178,310.0	(16.2)[4]
Total Assets (USD Million)	98,921.3	142,062.0	170,227.4	170,483.8	193,697.3	(15.5)[4]
Tangible Common Equity (EUR Million)	6,756.0	7,289.0	7,925.0	8,478.3	7,837.0	(3.6)[4]
Tangible Common Equity (USD Million)	7,583.6	8,332.4	9,516.3	8,942.5	8,513.3	(2.8)[4]
Problem Loans / Gross Loans (%)	1.7	2.3	0.9	0.9	1.0	1.4[5]
Tangible Common Equity / Risk Weighted Assets (%)	25.3	24.2	23.9	19.6	15.3	21.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.0	10.7	10.3	11.6	15.2	11.2[5]
Net Interest Margin (%)	0.0	0.1	0.2	0.2	0.2	0.1[5]
PPI / Average RWA (%)	-3.4	-1.3	-1.0	0.6	1.2	-0.8[6]
Net Income / Tangible Assets (%)	-0.9	-0.2	-0.2	0.3	0.2	-0.2[5]
Cost / Income Ratio (%)	-57.0	-551.5	932.6	60.3	42.4	85.4[5]
Market Funds / Tangible Banking Assets (%)	88.0	70.8	89.3	89.5	90.6	85.6[5]
Liquid Banking Assets / Tangible Banking Assets (%)	16.7	14.1	21.1	19.3	20.2	18.3[5]
Gross Loans / Due to Customers (%)	830.7	727.0	1548.1	1109.5	1365.4	1116.1[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

Dexia Credit Local (DCL) is Dexia Group's sole operational entity and issuer. DCL is based in France, where it holds most of its assets. It has branches in Ireland and the US, along with a subsidiary in Italy, Dexia Crediop S.p.A. (Baa3/Baa3 stable, b2[1]). Dexia group and DCL — historically active in public-sector financing — have been in runoff since year-end 2011. The Belgian and French states own 99.6% of the group[2]. Dexia group, as an important bank, is subject to the direct supervision of the European Central Bank (ECB) since 2014.

The entities were subject to an orderly resolution plan as of year-end 2011 following the European sovereign debt crisis, which had a major impact on Dexia group. Given the bank's size and to prevent any systemic risk, the resolution process began in October 2011 and was eventually approved by the European Commission (EC) in December 2012. As a result, the group no longer has any commercial activity, and its main mission is now focused on fulfilling its contractual obligations and managing its balance sheet in runoff (mainly public sector and sovereign assets). Consequently, Dexia group and DCL's governance were unified and simplified in line with the new scope. Dexia Israel, the last commercial franchise flagged by the Orderly Resolution Plan to be divested from, was sold in 2018. In the same year, Dexia group closed DCL's branch in Lisbon. The sale of Dexia Kommunalbank Deutschland AG (DKD) was completed on 30 April 2019. Since then, Dexia group closed its Madrid branch and launched the downsizing of its New York branch[3] through sales and transfers of assets to the headquarters in France completed in H2 2019.

On 27 September 2019, Dexia announced that the European Commission (EC) had approved the prolongation of the guarantee provided by the governments of Belgium and France to the senior debt issued by DCL by ten years from 1 January 2022 onwards.

Detailed credit considerations

Average asset quality is good, but concentration risk is high

Since the implementation of the orderly resolution of Dexia Group and along with the disposal of the its viable franchises, the group has been managing the remaining assets in runoff. These assets mainly comprise long-term exposures to the public sector and sovereigns, the final amortisation of which will extend beyond 2030.

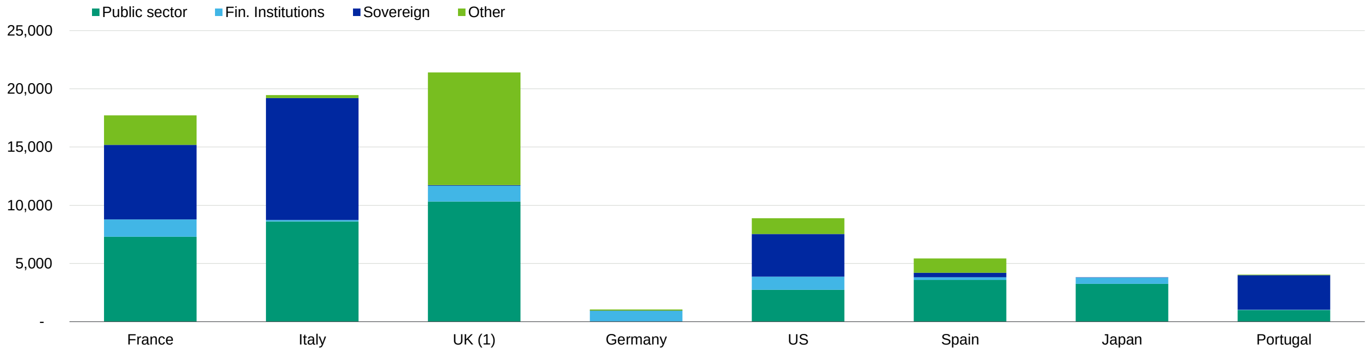
Since 2016, Dexia Group has also been focusing on actively deleveraging its portfolio, in line with the management's strategy to accelerate the bank's downsizing. The group's asset portfolio decreased by 39% in 2019 (or €31 billion) to €49 billion at year-end 2019. Dexia sold €14 billion loans and bonds in 2019 (€7.3 billion in 2018) focused on non-euro denominated assets. The sale of Dexia Kommunalbank Deutschland AG, completed in Q2 2019, also contributed to reducing the portfolio by €14 billion. Although the implementation of the divesture strategy [4] could be delayed because of the changes in the operating environment due to the outbreak of the coronavirus, Dexia intends to carry out its asset disposal programme this year.

The portfolio's average quality is good (91.5% of the group's total credit exposures were investment grade as of year-end 2019, of which 55% were rated A or above). The problem loan ratio was stable at 1.3%[5] at year-end 2019, and the annual cost of risk has been below 16 basis points of outstanding loans since 2012 (in 2019, Dexia reported a net release of provisions of €265 million). However, single-name concentration is high, implying the risk of a significant impact on the group's capital in case of an impairment on a large exposure — all the more so since Dexia Group has hardly any capacity to absorb credit losses with its recurring revenues.

Dexia Group has particularly high concentrations in the Italian and Spanish public sectors (see Exhibit 3). As of year-end 2019, its exposure to the Italian public sector and the Italian sovereign represented 118% and 143%, respectively, of its Common Equity Tier 1 (CET1) capital and its exposure to the Spanish public sector represented 49% of its CET1 capital.

The Asset Risk score is adjusted four notches downwards to baa3 to factor in the high concentration risks and potential losses during the runoff.

Exhibit 3
Concentration risk is high
Dexia Group's credit exposures as of year-end 2019 (in € million)



(1) Other exposures for the UK include €8billion of corporate exposures mainly related to the public sector
Source: Company data

Dexia might require further recapitalisation during its multiyear wind-down process

Dexia Group's CET1 capital amounted to €7.3 billion and its CET1 ratio stood at 26.8% as of year-end 2019 (compared with €8.1 billion and 26.7%, respectively, as of year-end 2018), well above its Supervisory Review and Evaluation Process CET1 requirement of 11.35%[6]. The decrease in CET1 capital was mainly driven by the net loss reported by the group in 2019 (-€898 million). Risk-weighted assets decreased to €27.3 billion as of year-end 2019 compared to €30.4 billion as of year-end 2018.

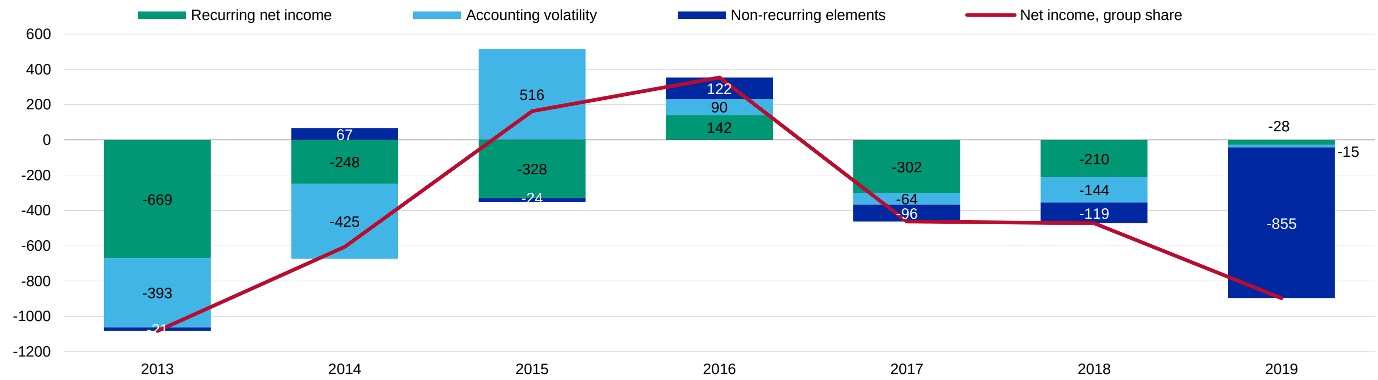
Despite its low cost of funding, Dexia group's earnings generation capacity has substantially decreased as a result of asset shrinkage, while the decrease in operating costs has been slower (see Exhibits 4 and 5). Moreover the bank incurs high cash collateral posting costs on derivatives and increased regulatory costs. As a result the group is structurally loss making. Even in the absence of significant loan losses, we expect the group to continue posting further losses over the coming years. Dexia group's ability to continue complying with its solvency requirements will hinge on the magnitude of future losses and on whether or not its risk-weighted assets would decrease sufficiently quickly to offset the effect of capital depletion.

Dexia reported a net loss of €898 million in 2019, a very large portion of which (€855 million loss) related to non-recurring items (Exhibit 4). These included €403 million loss generated by asset disposals, €314 million negative impact of the reclassification of a portion of assets at amortised cost into the fair value category,[7] and €115 million loss related to the sale of DKD. On the other hand, the magnitude of recurring net loss was reduced in 2019 by a net release of provisions of €265 million (Exhibit 5).

Exhibit 4

Dexia Group has been unable to generate profit on a sustained basis

Breakdown of net result (in € million)

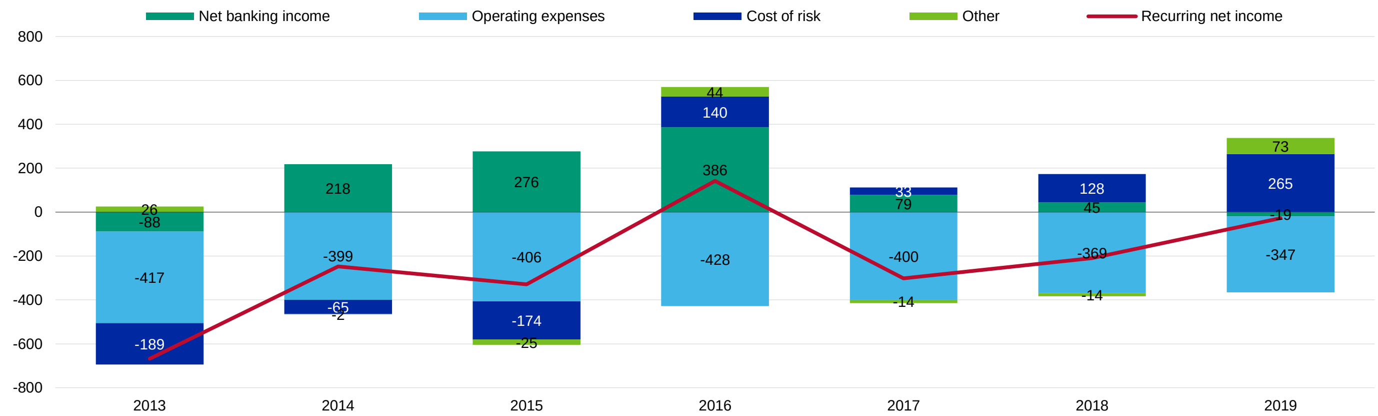


Source: Company data

Exhibit 5

Dexia Group is loss making as a result of low asset margins and decreased revenues

Breakdown of recurring net income (in € million)



Source: Company data

Dexia Group's earnings remain very sensitive to changes in funding conditions (especially because of the very thin margins on its assets) as well as the level of interest rates. In addition to cash collateral posting, low interest rates imply decreased income from the remuneration of capital. Also, extreme market volatility will hurt financial results because adverse movements in market parameters (exchange rates and credit spreads) could result in unfavourable valuation adjustments of assets, liabilities and derivatives in the income statement.[8] Dexia group's net result will also depend on the magnitude of loan losses, which in turn will depend on the macroeconomic environment and potential one-off losses on large exposures.

We expect the pace of decrease in operating costs to remain slow. Dexia Group pointed out the need to upgrade its IT and operating systems to be able to complete a runoff that will span more than 10 years. Regulatory costs, including the contribution to the Single Resolution Fund, also weigh heavily on its profitability, representing around 20% of the bank's total operating expenses. At the same time, Dexia Group has been taking measures to adapt its infrastructure to the runoff management of its assets while minimising operational risks. These measures include the outsourcing of the back-office and IT services to a third-party service provider (Cognizant), which also involved staff transfers to this company. These measures will ultimately increase Dexia Group's flexibility vis a vis its cost structure.

Based on its projected financials and the absence of a major turmoil triggering substantial credit losses or affecting the bank's funding capacity, we expect the group to maintain a higher regulatory capital ratio than the minimum requirements in the medium term.

However, because of the high sensitivity of the group's capital adequacy to its earnings generation capacity and credit costs, the predictability of which is limited, there remains a risk that Dexia Group might need to be recapitalised again.

The group's result and capital ratio could be subject to some volatility over the coming months as a result of the market turmoil due to outbreak of the coronavirus. However, we expect the bulk of the negative impact will be accounting volatility and therefore be temporary.

These elements are reflected in adjustments made to Dexia Group's Capital score. The assigned Capital score of b2 is positioned 12 notches below the Macro-Adjusted score to reflect the expected progressive erosion of the capital base as the runoff process unfolds. The assigned Profitability score is caa1, and it is at the same level as the Macro-Adjusted score, which we believe reflects our expectations that the group will continue to generate losses over the outlook horizon.

Funding during the runoff period will rely on state-guaranteed debt and secured funding

Dexia funds the wind-down of existing assets through state-guaranteed debt and secured funding and no longer rely on central bank funding. The guarantee is provided by the governments of Belgium, France and Luxembourg in the proportions of 51.4%, 45.6% and 3%, respectively. The scheme has a ceiling of €85 billion and allows it to tap the bond market until 31 December 2021. This provides the bank with reasonable room to absorb potential strain that may result from an increase in collateral posting needs on hedging derivatives or higher haircuts imposed in repo transactions. Individual issuances under the scheme have a maximum duration of 10 years.

The guarantee fee currently stands at an affordable 5 basis points, which limits the bank's average funding cost. As of year-end 2019, the outstanding balance of guaranteed debt amounted to €60.5 billion, down from €66 billion as of December 2018 as a result of reduced funding needs due to asset deleveraging. Guaranteed debt currently represents around 82% of Dexia Group's funding sources. The need to draw on the guarantee is likely to remain below the programme's ceiling, based on the group's liquidity forecast.

In September 2019, Dexia announced that the EC approved the prolongation of the guarantee by ten years from 1 January 2022 onwards. The continuation of the guarantee is critical to securing Dexia's access to the capital markets and its orderly run-off (see issuer comment Dexia Credit Local: Extension of state guarantee will preserve Dexia's access to funding during its run-off).

Depending on market conditions and investors' appetite for government-guaranteed bonds (GGBs), Dexia Group's access to the market could nevertheless prove more difficult than expected, which would compel it to rely on alternative measures, including resorting to the emergency liquidity assistance, resulting in higher funding costs. The most recent update of the business plan reflects surplus liquidity over the life of the plan, without recourse to the emergency liquidity assistance[9]. The state-guaranteed debt issued by Dexia Group qualifies as a level 1 asset in the calculation of the liquidity coverage ratio, which supports financial institutions' appetite for GGBs and helps keep the average cost of state-guaranteed debt low. This mitigates the fact that Dexia Group is still operating with relatively high funding gaps.

Besides guaranteed debt, Dexia Group is still using secured funding as a cost-effective way to finance its assets, including transactions based on assets not eligible for central bank refinancing. Total secured funding amounted to around €11 billion as of year-end 2019, down from €35 billion as of year-end 2018. The decrease reflects asset disposals and the sale of DKD of which covered bonds amounted to €13.6 billion.

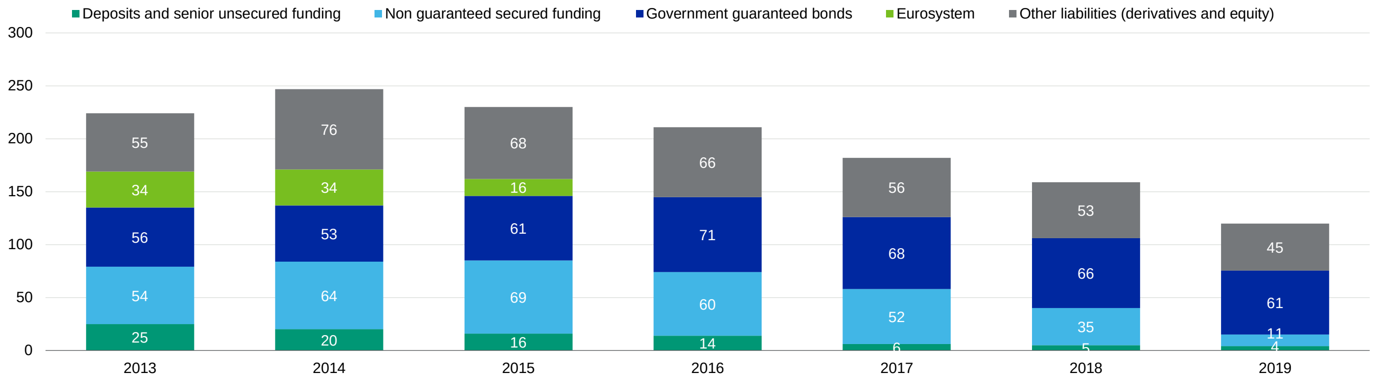
Dexia Group has discontinued its recourse to ECB funding since year-end 2017[10]. This is in line with the wind-down plan, which foresaw a progressive replacement of central bank funding by new GGB issuances. The ECB's July 2017 announcement that access to the Eurosystem monetary operations by banks in wind-down would be terminated from 31 December 2021 (outside recourse to emergency liquidity assistance) will therefore have little implication for Dexia Group's orderly wind-down process.

As of year-end 2019, the bank's liquidity coverage ratio was 238% and Dexia Group's liquidity reserve amounted to €19.4 billion, of which €9.8 billion were deposits with central banks (€16.4 billion as of the end of December 2018, of which €10.5 billion were with central banks).

These elements are reflected in our Combined Liquidity score. The Funding Structure score is adjusted upwards by nine notches to baa3 to account for the fact that a significant part of Dexia Group's wholesale funding is state guaranteed and less confidence sensitive.

The Liquid Resources score is adjusted downwards by nine notches to caa3 to take into account the fact that a large portion of Dexia Group's assets is still encumbered to secure funding. These adjustments result in a b1 Combined Liquidity score.

Exhibit 6
Funding mix is changing following reduction in secured funding
Breakdown of Dexia Group's liabilities (in € billion)



Source: Company data

A negative one-notch qualitative adjustment reflects the difficulties associated with the implementation of the wind-down of a large balance sheet

The financial profile of b1 reflects the current situation of Dexia Group as well as the challenges involved with a multiyear runoff. A one notch negative adjustment is made under our complexity and opacity criterion to reflect the uncertainties and lack of visibility associated with the implementation of a long term wind down of a large balance sheet composed of long-dated and illiquid assets. This leads to a BCA and an Adjusted BCA of b2 for DCL.

Environmental, social and governance considerations

In terms of environmental considerations, Dexia Group has a low exposure to Environmental risks, in line with our general view for the banking sector. See our Environmental risk heatmap for further information. Environmental risks to banks are usually indirect, undertaken through financing clients' operations. Such risk exposure is usually unlikely to translate into a meaningful credit impact.

For social risks, we also place Dexia Group in line with our general view for the banking sector, which indicates a moderate exposure to Social risks. See our Social risk heatmap for further information. We also regard the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

Corporate governance is highly relevant to all banks creditworthiness. Governance risks are largely internally rather than externally driven. We do not have any particular concern about Dexia Group's governance.

Support and structural considerations

Loss Given Failure analysis

Should Dexia Group need any additional support from public authorities, we believe this would not necessarily result in a resolution under the EU BRRD. Therefore, we assume that, in practice, Dexia Group is out of the scope of the EU BRRD and, hence, we do not apply the Advanced LGF approach as used for banks subject to operational resolution regimes. Instead we apply the Basic LGF approach, which provides no uplift from the Adjusted BCA for DCL's senior debt and deposits.

The rating on preferred stocks of C(hyb) is six notches below the Adjusted BCA, as a result of the one-notch adjustment under our Basic LGF approach and five further notches, reflecting the fact that coupon payments and early redemption have been suspended on these securities, in accordance with the EC's decision in 2012.

Government support considerations

If Dexia Group were to require further external support, we believe the probability of additional support from the governments of Belgium and France would be very high. The current exposures of these governments to Dexia Group via their equity investments and guarantees on funding are such that both have a strong interest in preventing the bank's default, either from (1) a liquidity perspective, as a default would render the states directly liable for maturing debts under the terms of their guarantee; or (2) a loss perspective, as losses would likely be greater in a liquidation process.

We assess a very high probability of government support for the senior unsecured creditors and junior depositors. This results in a five-notch uplift for DCL's senior unsecured debt rating and deposit rating to Baa3. Government support assumption is low for junior debts, resulting in no rating uplift.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

DCL's CR Assessment is Baa3 (cr)/Prime-3 (cr)

The CR Assessment benefits from one notch of rating uplift under our Basic LGF approach and four notches of government support uplift based on a very high support assumption from the governments of France and Belgium. The CR Assessment is positioned at the same level as the bank's deposit and senior unsecured ratings because we consider that the operational liabilities of an entity already in resolution are unlikely to benefit from any additional protection compared with depositors and senior creditors.

Counterparty Risk Ratings (CRRs)

Our CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements. We believe that CRR liabilities have a lower probability of default than the bank's deposit and senior unsecured debt as they will more likely be preserved to minimise banking system contagion, minimise losses and avoid disruption of critical functions. For this reason, we assign CRRs, before government support, one notch above the Adjusted BCA.

DCL's CRRs are Baa3/Prime-3

The CRR benefits from one notch of rating uplift under our Basic LGF approach and four notches of government support uplift based on a very high support assumption from the governments of France and Belgium. The CRR is positioned at the same level as the bank's deposit and senior unsecured ratings as we consider that the CRR liabilities of an entity already in resolution are unlikely to benefit from any additional protection compared with depositors and senior creditors.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 7

Dexia Credit Local

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		1.7%	a2	←→	baa3	Single name concentration	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		25.3%	aa2	←→	b2	Stress capital resilience	
Profitability							
Net Income / Tangible Assets		-0.9%	caa1	←→	caa1	Return on assets	Expected trend
Combined Solvency Score			a3		b1		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		88.0%	caa3	←→	baa3	Term structure	Lack of market access
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		16.7%	baa3	←→	caa3	Asset encumbrance	Expected trend
Combined Liquidity Score			b2		b1		
Financial Profile					b1		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					-1		
Corporate Behavior					0		
Total Qualitative Adjustments					-1		
Sovereign or Affiliate constraint					Aa2		
BCA Scorecard-indicated Outcome - Range					b1 - b3		
Assigned BCA					b2		
Affiliate Support notching					0		
Adjusted BCA					b2		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	1	0	b1
Counterparty Risk Assessment	-	-	-	-	-	-	-	1	0	b1 (cr)
Deposits	-	-	-	-	-	-	-	0	0	b2
Senior unsecured bank debt	-	-	-	-	-	-	-	0	0	b2
Non-cumulative bank preference shares	-	-	-	-	-	-	-	-1	-5	c

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	b1	4	Baa3	Baa3
Counterparty Risk Assessment	1	0	b1 (cr)	4	Baa3(cr)	
Deposits	0	0	b2	5	Baa3	Baa3
Senior unsecured bank debt	0	0	b2	5	Baa3	Baa3
Non-cumulative bank preference shares	-1	-5	c	0	C (hyb)	

[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 8

Category	Moody's Rating
DEXIA CREDIT LOCAL	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	b2
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Issuer Rating	Baa3
Senior Unsecured	Baa3
Pref. Stock Non-cumulative -Dom Curr	C (hyb)
Bkd Commercial Paper	P-1
DEXIA CREDIT LOCAL, NEW YORK BRANCH	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Baa3/P-3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Bkd Commercial Paper	P-1
DEXIA CREDIOP S.P.A.	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Baa3/P-3
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	b2
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured -Dom Curr	Baa3

Source: Moody's Investors Service

Endnotes

1 The ratings shown are Dexia Crediop S.p.A.'s deposit rating, senior unsecured debt rating and Baseline Credit Assessment

2 Following the capital injection of €5.5 billion in 2012 (and the subsequent issuance of preference shares), Belgium and France owned 94.4% of Dexia. As of year-end 2017, the conversion of the preference shares into ordinary shares was approved by the EU and the shareholders. After this conversion, Belgium and France hold 52.8% and 46.8% of Dexia, respectively.

3 The New York branch will be transformed into a representative office in 2020.

4 A new deleveraging programme of €10.4 billion was approved by the group's Board on 19 July 2019.

5 Calculated as a percentage of the loan and bond portfolio.

6 4.5% Pillar 1 requirement, 3% Pillar 2 requirement, 2.5% capital conservation buffer, 0.35% countercyclical buffer and 1% Pillar 2 guidance.

7 These reclassifications were prompted by the change in business model applicable to certain assets triggered by the recent asset disposal programmes.

8 Dexia Group's sensitivity to credit spreads on long-term Italian and Portuguese sovereign bonds, and Spanish covered bonds has nonetheless decreased since the beginning of 2018 because these assets have been reclassified from the available-for-sale category under IAS 39 to the amortised cost category under IFRS 9.

9 The emergency liquid assistance (ELA) is a short-term facility extended by national central banks (Belgian and French) at their own risk to solvent banks. As per the ECB Agreement on ELA, the approval of the ECB governing council is required for ELA operations amounting to more than €2 billion because it is deemed to potentially interfere with the single monetary policy of the Eurosystem.

10 ECB funding still represented €655 million as of year-end 2016 and €16 billion as of year-end 2015.

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