

## CREDIT OPINION

29 July 2022

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 - Dom 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 following rating action

### Summary

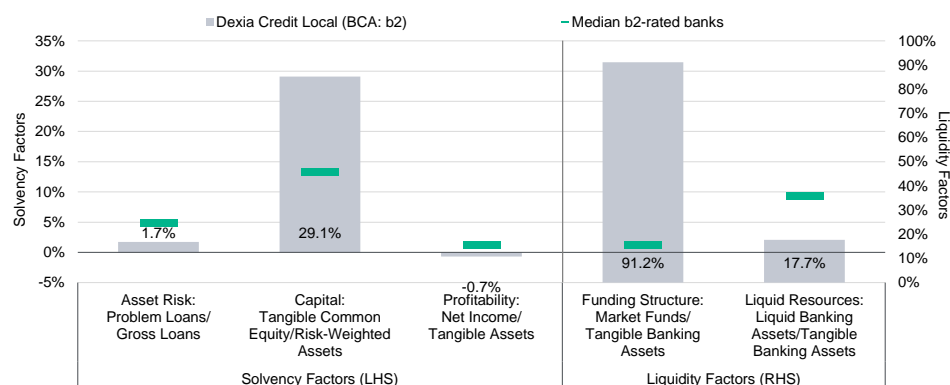
Dexia Credit Local's (DCL) long-term deposit and senior unsecured debt ratings of Baa3 with a stable outlook reflect its Baseline Credit Assessment (BCA) of b2; and a very high probability of support from the [Government of France](#) (Aa2 stable) and the [Government of Belgium](#) (Aa3 stable) and the application of 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 orderly resolution of DCL has so far been unfolding smoothly, in particular because of the large support provided by the governments of Belgium and France through the government-guaranteed debt scheme. Nevertheless, the BCA also reflects the fact that DCL might need additional capital injection from the governments to comply with prudential regulations during its prolonged run-off period.

We believe that any additional support needed from public authorities by an entity already in runoff would not result in a resolution under the terms and conditions of 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, implying no LGF uplift from the Adjusted BCA for the bank's deposit and senior unsecured ratings.

Exhibit 1

### Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

## Credit strengths

- » Funding facilitated by a large State-guaranteed debt programme.
- » State ownership and government support for both capital and funding, which imply a high probability of further government support in case of need.

## Credit challenges

- » Concentration risk is high, despite good average asset quality.
- » Dexia group is unable to generate profit on a sustained basis.
- » 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 exogenous shock affecting the bank's solvency or funding capacity, its wind-down will likely unfold according to the resolution plan.

## 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 run off plan. An upgrade of the bank's long-term ratings is unlikely, even if its BCA were to be upgraded.

## Factors that could lead to a downgrade

- » Significant deviations from the trend set out in the run off plan would 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, or from the 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.

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's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Dexia Credit Local (Consolidated Financials) [1]

	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	12-18 <sup>2</sup>	12-17 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Million)	74,601.0	83,538.0	88,126.0	124,273.0	141,762.0	(14.8) <sup>4</sup>
Total Assets (USD Million)	84,530.8	102,213.4	98,921.3	142,062.0	170,227.4	(16.1) <sup>4</sup>
Tangible Common Equity (EUR Million)	5,849.0	6,108.0	6,756.0	7,289.0	7,925.0	(7.3) <sup>4</sup>
Tangible Common Equity (USD Million)	6,627.5	7,473.5	7,583.6	8,332.4	9,516.3	(8.6) <sup>4</sup>
Problem Loans / Gross Loans (%)	1.7	1.8	1.7	2.3	0.9	1.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	29.1	25.8	25.3	24.2	23.9	25.6 <sup>5</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	6.7	7.6	8.0	10.7	10.3	8.7 <sup>5</sup>
Net Interest Margin (%)	0.1	0.0	0.1	0.1	0.2	0.1 <sup>5</sup>
PPI / Average RWA (%)	-1.6	-1.9	-3.4	-1.3	-1.0	-1.8 <sup>6</sup>
Net Income / Tangible Assets (%)	-0.4	-0.8	-0.9	-0.2	-0.2	-0.5 <sup>5</sup>
Cost / Income Ratio (%)	-368.0	-183.9	-57.0	-551.5	932.6	-45.6 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	91.2	92.0	88.0	70.8	89.3	86.2 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	17.7	17.7	16.7	14.1	21.1	17.4 <sup>5</sup>
Gross Loans / Due to Customers (%)	4301.1	5195.6	830.7	727.0	1548.1	2520.5 <sup>5</sup>

[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 a branch in Ireland and a subsidiary in Italy, [Dexia Crediop S.p.A.](#) (Dexia Crediop, Baa3/Baa3 stable, b2<sup>1</sup>). 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<sup>2</sup>.

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 wind-down process began in October 2011 and was eventually approved by the European Commission (EC) in December 2012. As a result, the group stopped its commercial activity, and 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 bank's new remit.

Over the past 4 years, Dexia group sold Dexia Israel in 2018 and Dexia Kommunalbank Deutschland AG [DKD] in 2019, and closed its remaining branches abroad (Lisbon and Madrid). The transfer of the residual assets and liabilities held by the New York branch to the headquarters in France was completed in H1 2020. In November 2020 the withdrawal of the New York branch's banking license and transformation of the branch into a representative office was completed. In September 2020, Dexia group acquired stakes held by Banco BPM SpA and BPER Banca SpA in Dexia Crediop, making it a 100%-owned subsidiary. Dexia has not yet disclosed any information about the fate of this subsidiary but transferred to its Paris and Dublin branches a portfolio of assets with a nominal value of €3.2 billion in 2021 (around 20% of Dexia Crediop's total assets). In H2 2021, the group started the disposal of guaranteed investment contracts (GIC) in the United States.

Dexia group's total assets amounted to €98.7 billion at end December-2021, down 13% from €114 billion at year-end 2020 and down 60% from €247 billion at year-end 2014.

Since 1 July 2020, Dexia group is no longer directly supervised by the European Central Bank (ECB) because it is a run-off entity. The supervision is undertaken under the framework set out by the ECB/Single Supervisory Mechanism (SSM) for Less Significant Institutions (LSI), which involves the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) acting as the consolidating supervisor and the National Bank of Belgium (NBB).

## Detailed credit considerations

Unless otherwise specified, the figures and ratios mentioned below are based on Dexia group's consolidated accounts and not DCL on a standalone basis.

### Average asset quality remains good but concentration risk is high

Since the implementation of the orderly resolution of Dexia group and along with the disposal of its viable franchises, the group has been managing the remaining assets in runoff. These assets mainly comprise long-term exposures to the public sector, sovereigns, etc. 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. After a slowdown of the deleveraging pace in 2020 because of the outbreak of the coronavirus, the group's loan and bond portfolio further decreased by €5.4 billion to €35.6 billion during 2021<sup>3</sup>. At the end of December 2021, Dexia had achieved 95% of the asset reduction targeted by year-end 2022 under the plan validated by the Board of Directors on 19 July 2019. In December 2021, Dexia's board of directors extended the asset reduction programme window to the end of 2023 due to the impact of geopolitical tensions on the financial markets.

The portfolio's average quality is good (92% of the group's total credit exposures were investment grade as of the end of December 2021, of which 46% were rated A or above). 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 no capacity to absorb credit losses with its recurring revenue. Dexia group has particularly high concentrations in the Italian and Spanish public sectors (see Exhibit 3). As of the end of December 2021, its exposure to the Italian public sector and the Italian sovereign represented 116% and 136%, respectively, of its Common Equity Tier 1 (CET1) capital, and its exposure to the Spanish public sector represented 42% of its CET1 capital. Dexia has no direct exposure to Russia, Ukraine and Belarus.

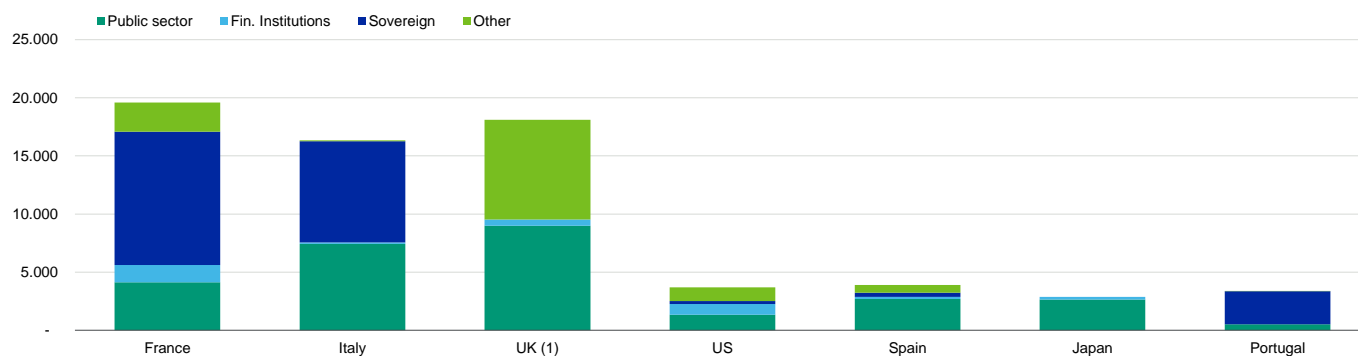
In 2021, the cost of risk was a positive contribution worth €117 million (representing around -33 basis points (bps) of the group's loan and bond portfolio) versus a charge of €169 million in 2020. Out of the total loan loss provisions of 2021, a collective provision release of €156 million was linked to the update of macroeconomic scenarios, a move of the exposure to the Central Bank of Tunisia to Stage 3 from Stage 2, an update of the calculation parameters and the portfolio's evolution. Impaired assets amounted to €577 million (representing around 1.6% of the group's loan and bond portfolio and 8.9% of its regulatory capital base) as of the end of December 2021, 3.8% up from €556 million as of year-end 2020 due to the aforementioned rating migration of the Central Bank of Tunisia's exposure.

The Asset Risk score is adjusted four notches downwards to baa3 from the initial score of a3 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 end-December 2021 (in € billion)



(1) Other exposures for the UK include €6 billion of corporate exposures mainly related to the public sector.

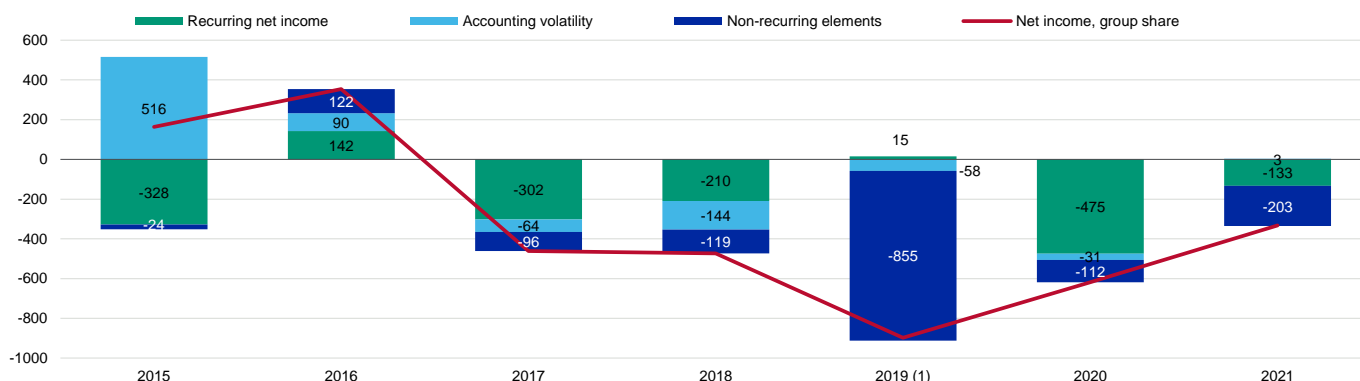
Source: Company data

### Dexia group is structurally loss-making

Despite its low cost of funding, Dexia group's earnings generation capacity is limited. The ongoing disposal of assets reduce its earnings base, while the decrease in operating costs remains slow (see Exhibit 5). 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.

Exhibit 4

#### Dexia group is structurally loss-making In million €

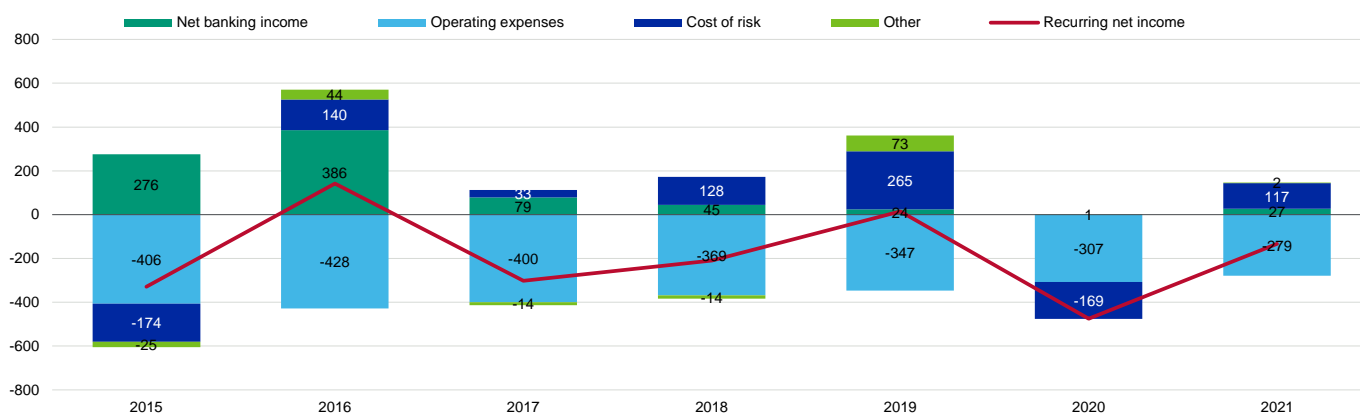


(1) Non-recurring items of 2019 included €403 million loss generated by asset disposals, €314 million negative impact of the reclassification of a portion of assets at amortised cost into the fair value category, and €115 million loss related to the sale of DKD.

Source: Company data and Moody's Investors Service

Exhibit 5

#### Dexia group is loss-making as a result of decreased revenues which do not absorb operating expenses Breakdown of recurring net income (in € million)



Source: Company data

Dexia group's earnings will remain very sensitive to changes in funding conditions (notably the credit spread of French sovereign bonds as the cost of its guaranteed debt is strongly correlated with government bonds) because of the very thin margins on its assets. They will also remain sensitive to changes in interest rates. The ultra-low interest rate environment materially weighted on the bank's income over the past five years. Conversely, the prospect of a hike in interest rates over the coming months is positive for Dexia's net banking income, even if it will not change its structural loss-making profile.

Dexia group's net result will also depend on the magnitude of loan losses, which in turn will depend on the macroeconomic environment. Extreme market volatility could also hurt Dexia's financial results because adverse movements in market parameters (exchange rates and credit spreads) could imply unfavourable valuation adjustments of assets, liabilities and derivatives. That being said, significant efforts have been deployed in 2021 to reduce the results' sensitivity to variation in market parameters by reducing

the number of derivative operations and hedging basis risks. This will lead to much less accounting volatility in Dexia's results going forward.

Starting from 1 January 2022, Dexia is subject to additional guarantee fees under the prolonged state-guaranteed funding scheme. While the "normal fees", which are paid monthly to the guarantors under the previous scheme continues to be applied at a low 5 basis points of outstanding debt, the new scheme also includes a deferred fee system which will gradually increase from 5 basis points (in 2022) to 135 basis points (in 2027). The deferred fees will only become payable upon two conditions being met simultaneously, including (1) the liquidation of DCL and (2) the withdrawal of its banking license. They will therefore not weigh on the group's liquidity during its run-off. However, this deferred charge will accrue in DCL's consolidated income statement - as per IFRS accounting rules - and will negatively impact both its accounting equity<sup>4</sup> and regulatory solvency ratio.

While Dexia has been able to consistently reduce its operating costs by simplifying its international network and outsourcing some activities, the pace of decline will likely remain slow. Minimum investment is needed to maintain operating systems to be able to complete a runoff that will span more than ten years. Regulatory costs, including the contribution to the Single Resolution Fund, also weigh heavily on its profitability, representing around 24% of the bank's total operating expenses. Dexia group has been taking measures to adapt its infrastructure to the runoff management of its assets while minimising operational risks. These measures, together with the reduction of operations carried out outside the headquarters, will ultimately increase Dexia group's flexibility vis-a-vis its cost structure.

The assigned Profitability score of caa1 reflects our expectations that the group will continue to generate recurring losses over the outlook horizon.

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

Dexia group's total regulatory capital ratio was 31.6% as of the end of December 2021, up from 28.5% as of year-end 2020. This increase resulted from (i) a €3.6 billion decrease in its risk-weighted assets to €20.6 billion, (ii) a €0.4 billion decrease in its total capital base to €6.5 billion at end-December 2021. The ratio remains well above its Supervisory Review and Evaluation Process requirement of 11.25%.<sup>5</sup> The €3.6 billion decrease in risk-weighted assets primarily stems from the decline in the asset portfolio. Since 2020, Dexia uses the standardised approach to calculate its credit risk-weighted assets. The switch to the standardised approach from the IRB method was aimed at reducing the impact of market volatility on the group's regulatory ratios.

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 impact of continuous losses depleting its capital. The additional guarantee fee under the prolonged state-guaranteed funding scheme effective since the beginning of 2022 will also progressively weigh on the group's net result and therefore on its capital (refer to the section on profitability for further details). Based on its projected financials and in the absence of a major shock triggering substantial credit losses or affecting the bank's funding capacity, however, we expect the group to maintain a regulatory capital ratio higher than the minimum requirements over the coming three to four years. Yet, 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.

These elements are reflected in adjustments made to Dexia group's Capital score. The assigned Capital score of b2 is positioned twelve notches below the Macro-Adjusted score to reflect the expected progressive erosion of the capital base as the runoff process unfolds.

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

Dexia funds the wind-down of its assets through state-guaranteed debt and secured funding and no longer relies on central bank funding. Until the 31 December 2021, the guarantee was provided by the governments of Belgium, France and Luxembourg in the proportions of 51.4%, 45.6% and 3%, for individual issuances with maximum duration of 10 years with a ceiling of €85 billion.

Starting from 1 January 2022 and until 31 December 2032, Dexia relies on a prolonged guarantee scheme that is similar to the original scheme. It is now provided by the governments of Belgium and France in the proportions of 53% and 47% with a ceiling of €75 billion. 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.

Dexia's funding needs have continued to decrease with the accelerated wind-down of the asset portfolio since 2019. As of December 2021, the outstanding balance of guaranteed debt amounted to €48 billion, down from €55 billion as of December 2020. Guaranteed debt currently represents close to 78% of Dexia group's funding sources. The bank's funding needs further reduced since the beginning of 2022 as the amount of collateral posted on derivative transactions materially decreased as a result of the hike in interest rates. This trend will likely continue over the coming months. At the same time, the pace of the decrease in the asset portfolio will slow down because the asset reduction programme implemented over the past two years is close to being completed.

Depending on market conditions and investors' appetite for government-guaranteed bonds (GGBs), there remains a risk that Dexia's access to the market nevertheless prove more difficult than expected and result in higher funding costs. In worst cases, this could compel it to rely on alternative measures, including resorting to the emergency liquidity assistance from the central banks (National Bank of Belgium and Banque de France). The most recent update of the business plan reflects surplus liquidity over the coming five years, without recourse to the emergency liquidity assistance<sup>6</sup>. The state-guaranteed debt issued by Dexia group benefits from a 0% risk-weight for RWA calculation and 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 €11.7 billion at the end of December 2021 or 19% of total funding.

In line with the wind-down plan, which foresaw a progressive replacement of central bank funding by new state-guaranteed issuances, Dexia group has discontinued its recourse to ECB funding since year-end 2017. The termination from 31 December 2021 onwards of the access to the Eurosystem monetary operations by banks in wind-down (outside recourse to emergency liquidity assistance) therefore did not have any implications for Dexia group's orderly wind-down process.

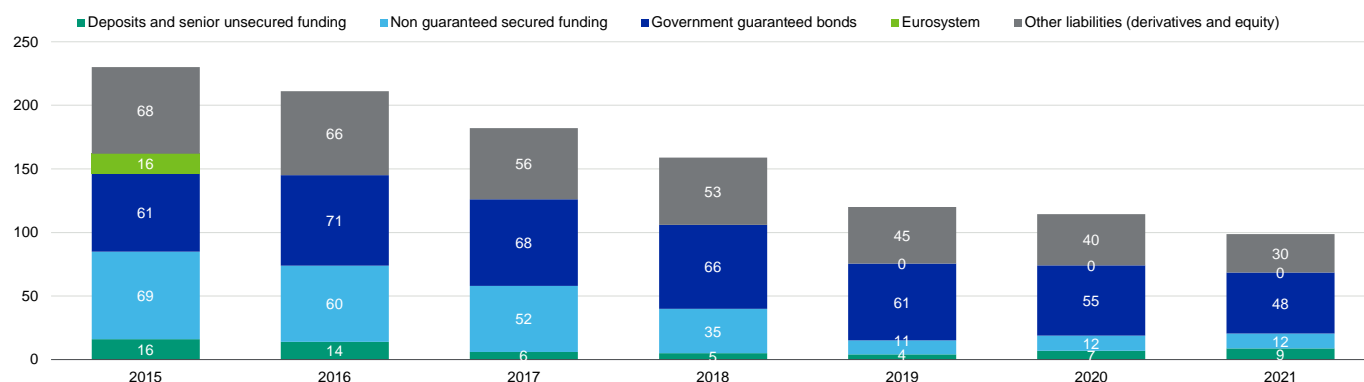
As of the end of December 2021, the group's liquidity coverage ratio was 176% (versus 222% as of year-end 2020), and its liquidity reserve amounted to €13.1 billion, of which €11.1 billion were in cash (€18.5 billion as of the end of December 2020, of which €11 billion were in cash).

These elements are reflected in an assigned Combined Liquidity score of b1. 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 hence 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 encumbered to secure funding.

Exhibit 6

### Guaranteed debt represents around 78% of Dexia group's funding sources

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 heat map](#) 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 significant 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 heat map](#) for further information.

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 despite the complexities entailed with the joint ownership of DCL by two governments.

### **Support and structural considerations**

#### **Loss Given Failure (LGF) analysis**

Should Dexia group need any additional support from public authorities, we believe this would not 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 because a default would render the States directly liable for maturing debts under the terms of their guarantee and because a liquidation process would likely entail greater losses than under an orderly wind down.

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**

##### **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)**

##### **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)	29.1%	aa2	↔	b2	Stress capital resilience	
Profitability						
Net Income / Tangible Assets	-0.7%	caa1	↔	caa1	Return on assets	Expected trend
Combined Solvency Score		a3		b1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	91.2%	caa3	↔	baa3	Term structure	Lack of market access
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	17.7%	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 subordination	Sub- ordination volume +	Instrument subordination	Sub- ordination volume +	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	
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
<b>DEXIA CREDIT LOCAL</b>	
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 -Dom Curr	Baa3
Pref. Stock Non-cumulative -Dom Curr	C (hyb)
Bkd Commercial Paper	P-1
<b>DEXIA CREDIT LOCAL, NEW YORK BRANCH</b>	
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
<b>DEXIA CREDIOP S.P.A.</b>	
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 BCA.
- [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 Exposure at default (EAD) decreased to €73.8 billion at year-end 2021 from €82.9 billion at year-end 2020.
- [4](#) In DCL's statutory accounts (under French Gaap), however, the deferred fees will only be recognized as an off-balance-sheet item and therefore have no P&L impact as long as the probability of the simultaneous occurrence of the two conditions is deemed remote.
- [5](#) The 11.25% requirement includes Pillar 1 requirement (8%) and Pillar 2 requirement (3.25%). This requirement will increase by 0.5 percentage points to 11.75% starting from the third quarter 2022 due to the impact of the UK countercyclical buffer on Dexia
- [6](#) The emergency liquid assistance (ELA) is a short-term facility extended by national central banks to solvent banks (Belgian and French) at their own risk with no risk-sharing mechanism with other euro zone central banks. That said 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.

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