



## Rating Action: Moody's affirms Dexia Credit Local's Baa3 senior unsecured rating with a stable outlook

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07 Jul 2023

Paris, July 07, 2023 – Moody's Investors Service (Moody's) today affirmed the Baa3 long-term senior unsecured debt and deposit ratings of Dexia Credit Local (DCL). The outlooks on these ratings remain stable. This action follows DCL's announcement on 3 July that it had submitted a request for the withdrawal of its banking and investment services licenses with effect from the beginning of 2024.

Moody's also affirmed DCL's Baseline Credit Assessment (BCA) and Adjusted BCA of b2. The Aa3 backed long-term senior unsecured debt and Prime-1 backed commercial paper ratings of DCL, guaranteed by the Government of Belgium (Aa3 stable) and Government of France (Aa2 stable) were unaffected by this rating action.

A list of all affected ratings is provided towards the end of this press release.

### RATINGS RATIONALE

By affirming DCL's b2 BCA, Moody's takes into account the implications of the withdrawal of its banking and investment services licenses on its funding and liquidity, which are critical to the completion of an orderly wind-down.

Firstly, DCL will continue to benefit from the financing guarantees from the Government of France and the Government of Belgium, which is available for up to €75 billion and largely exceeds DCL's funding needs for its on-balance sheet exposures and the large cash collateral requirements on its derivatives book. Secondly, the state-guaranteed debt will still qualify as Level 1 High Quality Liquid Assets (HQLA), which is key for maintaining DCL's diversified investor base. Thirdly, DCL will build an extra liquidity buffer as a backstop to the discontinuation of central banks' so-called Emergency Liquidity Assistance (ELAs). Under the new set up, DCL asserted that it will be able to carry out own-account transactions through clearing houses, which are critical in particular for hedging purposes.

In Moody's opinion, the interests of the shareholder States will remain aligned with those of DCL's creditors because of the government guarantee that benefits the bulk of the unsecured debt issued by DCL and more generally because of the two States' commitment to supporting an orderly resolution.

Although DCL will no longer be a bank, Moody's expects that the new surveillance committee to be set up by the French and Belgian States will provide a suitable substitute to current supervision. This independent body will, amongst other things, monitor the implementation of, and compliance with the new risk appetite framework, which will replace the prudential regulations that will no longer be applicable.

The affirmation of DCL's Baa3 long-term deposit and senior unsecured debt ratings with a stable outlook reflect its b2 BCA; the application of Moody's Basic Loss Given Failure (LGF) analysis, resulting in no rating uplift; and a very high probability of support from the Government of France and the Government of Belgium, resulting in a five-notch rating uplift from the b2 Adjusted BCA.

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

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.

Significant deviations from the run-off 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, or from the European Commission that additional government support in case of need would either not be provided or under conditions detrimental to unsecured creditors could also result in a downgrade of the bank's long-term deposit and senior unsecured ratings.

Any change in DCL's BCA or ratings will likely result in a change in Dexia Crediop S.p.A.'s BCA and ratings.

## LIST OF AFFECTED RATINGS

Issuer: Dexia Credit Local

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed Baa3

....LT Counterparty Risk Rating (Local Currency) , Affirmed Baa3

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-3

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-3

....LT Bank Deposits (Foreign Currency) , Affirmed Baa3 STA

....LT Bank Deposits (Local Currency) , Affirmed Baa3 STA

....ST Bank Deposits (Foreign Currency) , Affirmed P-3

....ST Bank Deposits (Local Currency) , Affirmed P-3

....ST Deposit Note/CD Program (Local Currency) , Affirmed P-3

....LT Counterparty Risk Assessment , Affirmed Baa3(cr)

....ST Counterparty Risk Assessment , Affirmed P-3(cr)

....LT Issuer Rating , Affirmed Baa3 STA

....Baseline Credit Assessment , Affirmed b2

....Adjusted Baseline Credit Assessment , Affirmed b2

....Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Baa3 STA

....Pref. Stock Non-cumulative (Local Currency) , Affirmed C (hyb)

Issuer: Dexia Crediop S.p.A.

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed Baa3

....LT Counterparty Risk Rating (Local Currency) , Affirmed Baa3

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-3

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-3

....LT Bank Deposits (Foreign Currency) , Affirmed Baa3 STA

....LT Bank Deposits (Local Currency) , Affirmed Baa3 STA

....ST Bank Deposits (Foreign Currency) , Affirmed P-3

....ST Bank Deposits (Local Currency) , Affirmed P-3

....LT Counterparty Risk Assessment , Affirmed Baa3(cr)

....ST Counterparty Risk Assessment , Affirmed P-3(cr)

....Baseline Credit Assessment , Affirmed b2

....Adjusted Baseline Credit Assessment , Affirmed b2

....Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Baa3 STA

....Senior Unsecured Medium-Term Note Program (Local Currency) , Affirmed (P)Baa3

Issuer: Dexia Credit Local, New York Branch

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency) , Affirmed Baa3

....LT Counterparty Risk Rating (Local Currency) , Affirmed Baa3

....ST Counterparty Risk Rating (Foreign Currency) , Affirmed P-3

....ST Counterparty Risk Rating (Local Currency) , Affirmed P-3

....LT Bank Deposits (Foreign Currency) , Affirmed Baa3 STA

....LT Bank Deposits (Local Currency) , Affirmed Baa3 STA

....ST Bank Deposits (Foreign Currency) , Affirmed P-3

....ST Bank Deposits (Local Currency) , Affirmed P-3

....LT Counterparty Risk Assessment , Affirmed Baa3(cr)

....ST Counterparty Risk Assessment , Affirmed P-3(cr)

Issuer: Dexia Funding Luxembourg S.A.

Outlook: NOO

....Backed Pref. Stock Non-cumulative (Local Currency) , Affirmed C (hyb)

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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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