



## Rating Action: Moody's affirms Dexia's Baa3 senior unsecured rating; issuer outlook stable

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24 Jan 2024

Paris, January 24, 2024 – Moody's Investors Service (Moody's) today took a number of rating actions on Dexia (ex-Dexia Credit Local), its New York branch and Dexia Holding (ex-Dexia S.A.). These actions follow the withdrawal of Dexia's license as credit institution and investment services authorisations that became effective as of 1 January 2024 and Moody's subsequent decision to use its Finance Companies Methodology for rating purposes going forward, as well as the termination of Dexia's New York branch.

Today's actions include the following:

- Affirmation of the Baa3 long-term senior unsecured debt ratings of Dexia
- Affirmation of the Baa3(cr) / Prime-3(cr) long-term and short-term Counterparty Risk Assessments (CRAs) of Dexia
- Affirmation of the C(hyb) non-cumulative preferred stock ratings of Dexia and non-cumulative preferred stock ratings of Dexia Holding
- Affirmation of the Aa3 backed long-term senior unsecured debt and Prime-1 backed commercial paper ratings of Dexia, guaranteed by the Government of Belgium (Aa3 stable), Government of France (Aa2 stable) and Government of Luxembourg (Aaa stable), where applicable
- Withdrawal of several ratings and assessments attributed under Moody's Banks Methodology, including Dexia's b2 Baseline Credit Assessment (BCA) and Adjusted BCA, its Baa3/Prime-3 long-term and short-term bank deposit ratings, its Prime-3 short-term deposit note and Certificate of Deposit programme ratings and its Baa3/Prime-3 long-term and short-term Counterparty Risk Ratings (CRRs). Please refer to the Moody's Investors Service Policy for Withdrawal of Credit Ratings, available on its website, <https://ratings.moody's.com>.
- Withdrawal of the debt level outlooks on Dexia's senior unsecured and backed senior unsecured instruments due to Moody's current practice of not assigning instrument level outlooks for financial entities other than those rated under the Banks Methodology.
- Withdrawal of all ratings, assessments and outlooks of Dexia, New York Branch, including its Baa3(cr) / Prime-3(cr) long-term and short-term CRAs, its Baa3/Prime-3 long-term and short-term CRRs, its Baa3/Prime-3 long-term and short-term bank deposit ratings, its Aa3 / (P)Prime-1 backed long-term and short-term deposit note and Certificate of Deposit programme ratings, its Prime-1 backed Commercial Paper rating; prior to the withdrawal the outlook on the long-term deposit ratings was stable.

The issuer outlook on Dexia remained stable.

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

## RATINGS RATIONALE

By affirming Dexia's Baa3 long-term senior unsecured debt ratings, 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, Dexia continues to benefit from the financing guarantees from the Government of France and the Government of Belgium. The maximum available financing amounts to €75 billion, which largely exceeds Dexia's funding needs for its on-balance sheet exposures and the cash collateral requirements on its derivatives book. Secondly, the state-guaranteed debt still qualifies as Level 1 High Quality Liquid Assets (HQLA), which is key for maintaining Dexia's diversified investor base. Thirdly, Dexia will build an extra liquidity buffer as a backstop to the discontinuation of central banks' emergency liquidity assistance. Under the new set up, Dexia 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 remain aligned with those of Dexia's creditors: the governments' guarantee benefits most of the unsecured debt issued by Dexia and more generally because of the two States' commitment to supporting an orderly resolution.

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

The affirmation of the C(hyb) ratings on the non-cumulative preferred stock is based on an expected loss approach reflecting the suspension of coupon payments and early redemption option requested by the European Commission as burden sharing measures in 2012.

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

An upgrade of Dexia's long-term senior unsecured rating is unlikely, even in the case of better-than-expected performance in the implementation of the orderly run-off plan.

Significant deviations from the run-off plan could trigger a downgrade of Dexia's long-term senior unsecured rating.

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 Dexia's long-term senior unsecured rating.

## LIST OF AFFECTED RATINGS

Issuer: Dexia

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

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

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

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

....BACKED Senior Unsecured Regular Bond/Debenture (Foreign Currency) , Affirmed Aa3

....BACKED Senior Unsecured Regular Bond/Debenture (Local Currency) , Affirmed Aa3

....Backed Senior Unsecured Medium-Term Note Program (Foreign Currency) , Affirmed (P)Aa3

....Backed Senior Unsecured Medium-Term Note Program (Local Currency) , Affirmed (P)Aa3

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

....Backed Commercial Paper (Foreign Currency) , Affirmed P-1

....Backed Commercial Paper (Local Currency) , Affirmed P-1

..Withdrawals:

....LT Counterparty Risk Rating (Foreign Currency) , Withdrawn , previously rated Baa3

....LT Counterparty Risk Rating (Local Currency) , Withdrawn , previously rated Baa3

....ST Counterparty Risk Rating (Foreign Currency) , Withdrawn , previously rated P-3

....ST Counterparty Risk Rating (Local Currency) , Withdrawn , previously rated P-3

....LT Bank Deposits (Foreign Currency) , Withdrawn, previously rated Baa3 STA

....LT Bank Deposits (Local Currency) , Withdrawn, previously rated Baa3 STA

....ST Bank Deposits (Foreign Currency) , Withdrawn , previously rated P-3

....ST Bank Deposits (Local Currency) , Withdrawn , previously rated P-3

....ST Deposit Note/CD Program (Local Currency) , Withdrawn , previously rated P-3

....LT Issuer Rating , Withdrawn , previously rated Baa3 STA

....Baseline Credit Assessment , Withdrawn , previously rated b2

....Adjusted Baseline Credit Assessment , Withdrawn , previously rated b2

Issuer: Dexia, New York Branch

..Outlook Actions:

....Outlook, Changed To Rating Withdrawn From Stable

..Withdrawals:

....LT Counterparty Risk Rating (Foreign Currency) , Withdrawn , previously rated Baa3

....LT Counterparty Risk Rating (Local Currency) , Withdrawn , previously rated Baa3

....ST Counterparty Risk Rating (Foreign Currency) , Withdrawn , previously rated P-3

....ST Counterparty Risk Rating (Local Currency) , Withdrawn , previously rated P-3

....LT Bank Deposits (Foreign Currency) , Withdrawn, previously rated Baa3 STA

....LT Bank Deposits (Local Currency) , Withdrawn, previously rated Baa3 STA

....ST Bank Deposits (Foreign Currency) , Withdrawn , previously rated P-3

....ST Bank Deposits (Local Currency) , Withdrawn , previously rated P-3

....BACKED LT Deposit Note/CD Program (Local Currency) , Withdrawn , previously rated Aa3

....BACKED ST Deposit Note/CD Program (Local Currency) , Withdrawn , previously rated (P)P-1

....LT Counterparty Risk Assessment , Withdrawn , previously rated Baa3(cr)

....ST Counterparty Risk Assessment , Withdrawn , previously rated P-3(cr)

....BACKED Commercial Paper (Local Currency) , Withdrawn , previously rated P-1

Issuer: Dexia Holding

....Outlook: NOO

..Affirmations:

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

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019 and available at <https://ratings.moodys.com/rmc-documents/65543>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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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