S&P Global
Ratings

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Dexia

August 21, 2025

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Credit Highlights

Overview

Key strengths	Key risks
A government-related entity (GRE) with a very high likelihood of receiving extraordinary support from Belgium and France.	Risks resulting from single-name concentration.
State ownership and state-guaranteed funding for a substantial amount.	Wholesale funding structure influenced by capital markets' appetite for government-guaranteed debt.
Proactive management and effective execution of its orderly wind-down plan, with some successes.	Loss-making entity over the long term.

Our ratings on Dexia reflect our consolidated analysis of the Dexia group. This analysis includes our assessment of Dexia's core status within the group, where it serves as the primary operating company. As of Dec. 31, 2024, Dexia accounted for about 99% of the group's assets.

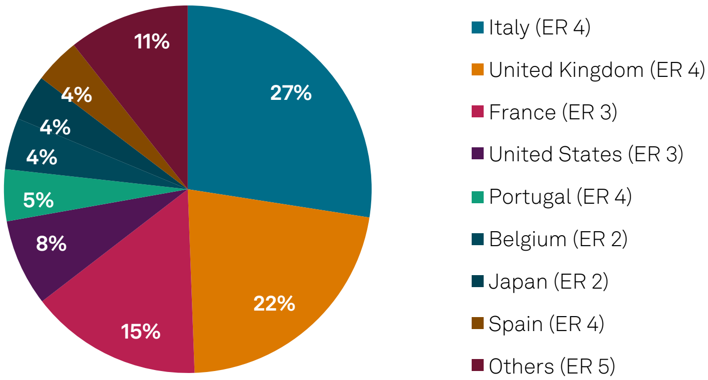
Our assessment of the Dexia group's standalone creditworthiness begins with a 'bb+' anchor. Given the lack of a banking license since its withdrawal in 2024, we base our rating on our anchor for French non-bank financial institutions (NBFIs). We believe Dexia has distinct characteristics that differentiate it from most NBFIs. While it is not subject to prudential regulatory requirements and can no longer access central bank liquidity, Dexia remains a GRE in run-off and benefits from favorable state-guaranteed funding. Moreover, unlike most NBFIs, Dexia does not face competitive pressures. Consequently, we apply a 'bb+' anchor, which is two notches below the 'bbb' bank anchor for the Dexia group.

To determine the bank anchor, we employ our banking industry country risk assessment methodology, along with our economic risk and industry scores. We evaluate economic risk based on our calculation of Dexia's weighted average credit exposures across the countries and regions where it operates (see Chart 1). The weighted-average economic risk score is '3.6' on a scale of '1' to '10' (with '1' representing the lowest risk and '10' the highest). Our industry risk score is '4', reflecting that Dexia is domiciled in France.

Chart 1

Dexia's credit risk exposure by country

As of December 2024

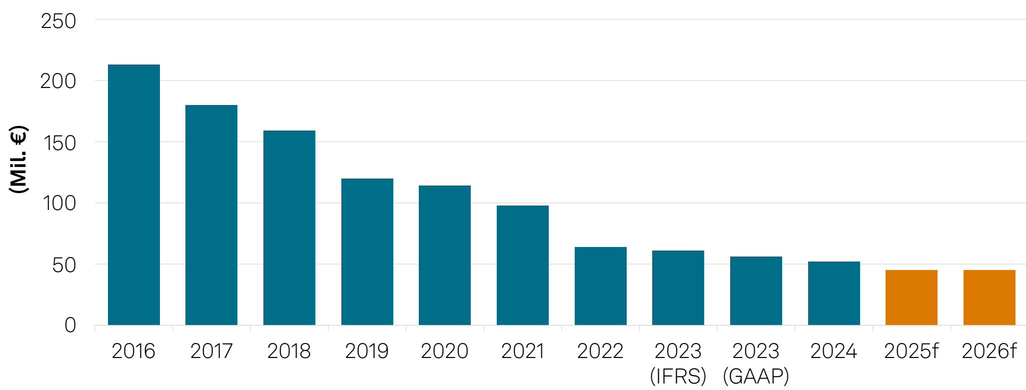


ER--Economic risk score. Source: S&P Global Ratings.

We anticipate Dexia will continue to proactively manage its wind-down and further deleverage its balance sheet. Dexia actively manages its balance sheet by executing its deleveraging plans. In 2024, the commercial asset portfolio experienced a reduction of €4.5 billion (or 14%) versus 2023. This included the €3.3 billion that Dexia reduced through asset disposals and early repayments (66% related to loans and 34% to bonds), and the €1.2 billion it wound down through natural amortization. In early 2025, Dexia continued its deleveraging efforts through additional asset disposals. Over the past 10 years, Dexia has reduced its balance sheet by 77%, to €52 billion in December 2024 (under the French generally accepted accounting principles [GAAP]) from €230 billion in 2015 (under International Financial Reporting Standards). As part of its orderly resolution plan, Dexia aims to further shrink its total assets over the next two years (see Chart 2). The deleveraging strategy will primarily rely on scheduled amortization of the portfolio, asset sales aimed at optimizing their value within an annual budget, and a reduction in cash collateral. Additionally, Dexia may accelerate its deleveraging plan if favorable market opportunities arise.

Chart 2

Dexia continues to reduce its balance sheet through proactive management



Source: S&P Global Ratings. French GAAP--French general accepted accounting principles. IFRS--International Financial Reporting Standards.

We anticipate Dexia will continue pursuing the simplification of its operating model to adapt to its smaller asset base and improve its cost trajectory. In 2024, Dexia improved its cost base and reduced operating expenses by €130 million. The withdrawal of its banking license, which eliminated regulatory costs, and overall cost reductions, including through the disposal of entities related to Dexia's leasing activities, supported the reduction in expenses. To further streamline operations, Dexia plans to outsource some back-office functions to third-party providers. This would help the company optimize its cost structure and make it more flexible. We anticipate Dexia will prudently manage the transition to the new operating model. A simplified operating model and the simplification of its exposures as a result of deleveraging--which reduces the number of lines and counterparties--will improve Dexia's cost base and core profitability (excluding non-recurring items) over time. However, we anticipate that non-recurring items associated with the ongoing transformation of its operating model and its deleveraging efforts will continue to significantly weigh on its net income.

We anticipate that Dexia will remain adequately capitalized to absorb recurring losses over the next two years. Our assessment of Dexia's capitalization is based on our projected risk-adjusted capital (RAC) ratio, which we expect will reach 9%-9.5% by year-end 2026. Dexia's RAC ratio was recorded at 10% in 2024, and we expect it will gradually decline to 9.6% by year-end 2025, and further reduce to 9.3% by year-end 2026. We anticipate the decline primarily because we expect Dexia's profitability will remain structurally negative, averaging €330 million per year over the next three years. We do not believe reductions in the balance sheet and operating costs over the next two years will fully offset the losses Dexia will accumulate.

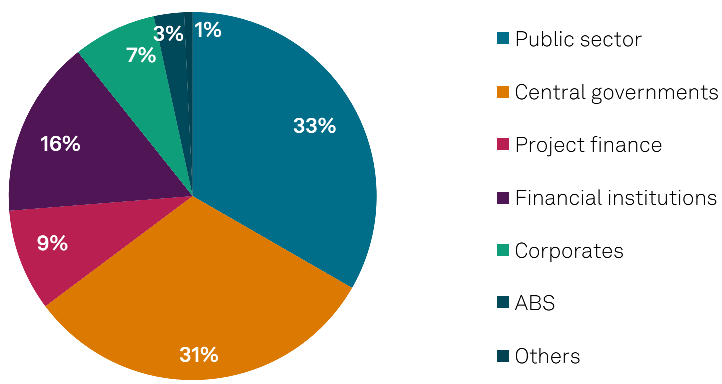
We believe Dexia's risk profile will remain a weakness, characterized by significant single-name concentration and sensitivity to deterioration in economic conditions. We continue to assess Dexia's risk position as weaker than that of most European banks. The risk profile reflects its historical role as a leader in public financing and a long-term investor in credit-spread securities portfolios, which resulted in Dexia's complex balance sheet and the predominance of mostly unsecured exposures with very long maturities, which are highly sensitive to adverse economic conditions. As of Dec. 31, 2024, credit risk exposure amounted to €41.9 billion, with a distribution of 35% in loans and 58% in bonds. Dexia's exposures predominantly stem from the public sector and central governments. Our evaluation also considers significant single-name concentration, which remains relatively high given Dexia's net loss position and capitalization--the 20 largest exposures account for about 59% of its total exposures at default (EAD). Any increased risk in the countries or sectors where Dexia faces concentration risk, or any downgrade or default, could result in a materially adverse impact on Dexia's cost of risk.

We continue to see some risk areas, particularly in exposures to the utilities sector in the U.K. However, we view positively Dexia's substantial efforts over the years to reduce the complexity of its balance sheet, including the disposal of risky assets. According to Dexia's internal system, about 90% of its credit risk exposures are classified as investment grade ('AAA' 12%; 'AA' 4%; 'A' 23%; and 'BBB' 52%). As of December 2024, new loan loss provisions totaled €57 million, primarily due to increased provisions related to the water distribution sector in the U.K. We believe the cost of risk will remain below 50 basis points of customer loans on average over the next three years. Dexia's nonperforming loans represented about 2.5% of total customer loans as of Dec. 31, 2024 and were adequately covered by reserves, by our estimates. We anticipate an increase in this ratio over the next two years if risks persist in some of the sectors to which Dexia is exposed.

Chart 3

Breakdown of Dexia's credit risk exposures

As of December 2024



Source: S&P Global Ratings.

Dexia maintains a robust risk management and risk appetite framework since its debanking. Despite the absence of banking regulation, Dexia continues to have a prudent framework ensuring close monitoring of risks, governance, and the alignment of strategic decisions with its orderly run-off strategy--particularly concerning solvency, liquidity, and asset-liability management (ALM). An independent surveillance committee has been established in place of the previous banking supervision mechanism. The committee, consisting of four members appointed equally by Belgium and France, is responsible for assessing governance suitability and monitoring risk. This governance structure ensures Dexia continues to adhere to sound risk management practices.

We anticipate that Dexia's funding and liquidity profile will remain weaker than many European peers' given its reliance on investor appetite for government-guaranteed debt. This is due to the lack of a deposit base and the loss of access to wholesale non-guaranteed and unsecured funding markets that Dexia previously utilized. Consequently, Dexia's dependence on confidence-sensitive market funding and investor appetite for government-guaranteed debt remains a key risk.

State-guaranteed financing is a critical component of Dexia's funding mix. The funding guarantee provided by the French and Belgian states was extended for an additional 10 years in 2022, with a ceiling of €75 billion. Dexia is only partially utilizing this amount due to reduced funding needs as its balance sheet shrinks. As of December 2024, Dexia’s guaranteed funding outstanding totaled €34.5 billion, while secured market funding was €2.4 billion. We expect state-guaranteed funding will represent 85%-90% of the funding mix within our rating horizon.

Dexia's funding comprises a significant share of short-term instruments (see chart 4). This reliance results in a low S&P Global Ratings stable funding ratio of 62% and a broad liquid assets to short-term wholesale funding ratio of 0.6x at year-end 2024.

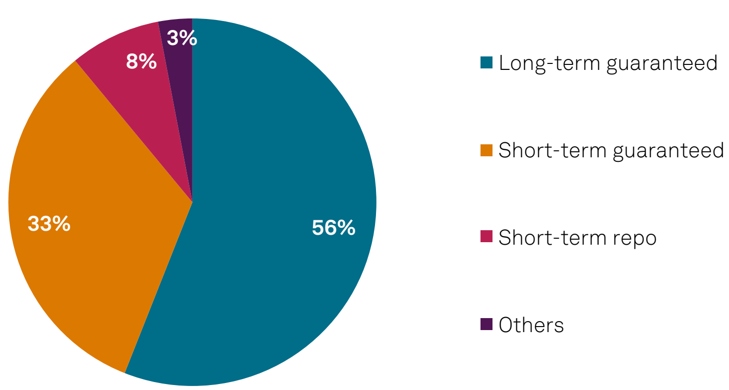
As of Dec. 31, 2024, Dexia's liquidity buffer totaled €13.7 billion, representing more than 26% of its total assets; the Dexia group had a buffer of €14.4 billion. Dexia also monitors its liquidity through a survival horizon indicator, which stood at 168 days at the end of 2024. The horizon indicates the duration for which Dexia can continue to operate without access to funding markets.

The loss of access to central bank facilities during periods of stress following its debanking has weakened Dexia's contingent liquidity framework. However, the maintenance of high-quality liquid assets qualifying as level 1 for its guaranteed debt supports funding from its current investor base, especially compared with entities operating outside a regulated framework. We believe that the French and Belgian governments will have greater flexibility to support Dexia in case of financial stress under its new framework.

Chart 4

Dexia's funding profile is skewed toward state-guaranteed funding

As of December 2024



Source: S&P Global Ratings.

We believe Dexia would be very highly likely to receive extraordinary government support in times of stress. Our 'BBB-' rating is four notches higher than our assessment of Dexia’s stand-alone credit profile (SACP). This rating reflects our view that Dexia is a GRE engaged in an orderly run-off, and we anticipate that it would receive significant extraordinary support from the French and Belgian governments if needed. The loss of its banking license, along with the implementation of a new governance and risk management framework, enhance Dexia's importance for its shareholders. Both governments have now assumed the role of the ultimate and sole supervising entities tasked with ensuring effective governance and a controlled wind-down of the entity, while minimizing potential losses to taxpayers, in our view.

Outlook

The stable outlook reflects our expectation that Dexia will implement an orderly wind-down of its operations and continue to benefit from the very strong commitments of the Belgian and French governments in this process over the next two years. The ratings already factor in our expectation that although Dexia will be loss-making for several years, its capitalization will adequately cover risks as deleveraging continues. A downgrade of Belgium or France would not, in itself, prompt us to lower the ICRs on Dexia. However, it would affect the issue ratings assigned to Dexia's debt, which is guaranteed by these states.

Downside scenario

We may lower the ratings on Dexia if, contrary to our expectations, it cannot maintain sufficient access to market funding to implement its wind-down plan. We could also lower our ratings if the likelihood of government support diminishes, or if there are material delays in Dexia's deleveraging plan or effects on its results and solvency beyond our expectations.

Upside scenario

While rating upside is remote, we may raise our ratings on Dexia if we upgrade both Belgium and France.

Key Statistics

Dexia--Key figures

Mil. EUR	2024*	2023	2022	2021	2020
Adjusted assets	52,412	60,039	64,284	98,643	114,406
Customer loans (gross)	12,987	19,721	21,516	24,690	27,763
Adjusted common equity	1,970	2,089	2,594	3,709	3,803
Operating revenues	0	78	343	(130)	(108)
Noninterest expenses	239	384	309	298	334
Core earnings	(301)	(254)	6	(363)	(612)

* French GAAP since 2024. EUR--euro.

Dexia--Business position

(%)	2024*	2023	2022	2021	2020
Total revenues from business line (currency in millions)	35	80	343	(99)	(7)
Return on average common equity	(5.7)	(5.1)	0.1	(5.1)	(8.9)

* French GAAP since 2024.

Dexia--Capital and earnings

(%)	2024*	2023	2022	2021	2020
Tier 1 capital ratio	--	34.5	40.4	31.2	28.2

Dexia--Capital and earnings

S&P Global Ratings-adjusted RAC ratio before diversification	10.0	10.8	11.2	12.4	11.0
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Cost to income ratio	N.M.	492.3	90.1	(229.2)	(309.3)
Preprovision operating income/average assets	(0.4)	(0.5)	0.0	(0.4)	(0.4)
Core earnings/average managed assets	(0.5)	(0.4)	0.0	(0.3)	(0.5)

* French GAAP since 2024. N.M.--Not meaningful.

Dexia--Risk position

(%)	2024*	2023	2022	2021	2020
Growth in customer loans	(34.2)	(8.3)	(12.9)	(11.1)	(13.3)
Total managed assets/adjusted common equity (x)	26.6	28.8	24.8	26.6	30.1
New loan loss provisions/average customer loans	0.4	0.0	0.0	(0.4)	0.5
Gross nonperforming assets/customer loans + other real estate owned	2.5	1.3	1.6	1.6	1.7
Loan loss reserves/gross nonperforming assets	53.5	43.7	41.1	45.1	48.0

* French GAAP since 2024.

Dexia--Funding and liquidity

(%)	2024*	2023	2022	2021	2020
Long-term funding ratio	48.7	45.4	59.1	57.6	58.2
Stable funding ratio	61.5	52.4	68.6	65.7	64.0
Short-term wholesale funding/funding base	56.1	61.6	46.9	46.6	45.4
Broad liquid assets/short-term wholesale funding (x)	0.6	0.6	0.8	0.9	0.9
Broad liquid assets/total assets	27.6	25.6	26.2	28.9	26.8
Short-term wholesale funding/total wholesale funding	57.1	62.0	47.6	47.0	45.7
Narrow liquid assets/3-month wholesale funding (x)	1.6	1.6	2.3	2.2	1.9

* French GAAP since 2024.

Rating Component Scores

Rating Component Scores

Issuer Credit Rating	BBB-/Stable/A-3
SACP	b+
Anchor	bb+
Business position	Adequate (0)
Capital and earnings	Adequate (0)
Risk position	Constrained (-2)
Funding and liquidity	Adequate and Moderate (-1)
Comparable ratings analysis	0
Support	4
ALAC support	0
GRE support	4
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Eurozone Q3 2025: Strength From Within, June 24, 2025
- Banking Industry Country Risk Assessment Update: July 2025, July 30, 2025

- Dexia Stable Outlook Unchanged After France Sovereign Outlook Revision, March 5, 2025
- French Banking Outlook 2025: Political Uncertainty Clouds The Business Climate, Jan. 21, 2025
- Banking Industry Country Risk Assessment: France, July 10, 2024

Ratings Detail (as of August 21, 2025)*

Dexia		
Issuer Credit Rating		BBB-/Stable/A-3
Junior Subordinated		D
Certificate Of Deposit		BBB-/A-3
Senior Unsecured		BBB-
Issuer Credit Ratings History		
02-Jan-2024	*Foreign Currency*	BBB-/Stable/A-3
07-Jul-2023		BBB/Watch Neg/A-2
25-Jan-2013		BBB/Stable/A-2
02-Jan-2024	*Local Currency*	BBB-/Stable/A-3
07-Jul-2023		BBB/Watch Neg/A-2
25-Jan-2013		BBB/Stable/A-2
Sovereign Rating		
France		AA-/Negative/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.