

Ratings Lowered To 'A-' From 'A' On Dexia Kommunalbank Deutschland's German Public Sector Covered Bonds; Outlook Stable

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OVERVIEW

- Dexia Kommunalbank Deutschland (DKD) is a subsidiary of Dexia Credit Local (DCL), and part of the Dexia Group's orderly resolution.
- Dexia Group continues to consider various strategic options for DKD's future, including a sale of DKD, after a restructuring of its asset portfolio earlier this year.
- Therefore, we no longer view DKD as a core subsidiary under our group rating methodology framework. Consequently, we are lowering to 'A-' from 'A' our ratings on DKD's public sector covered bond program and related issuances.
- The stable outlook on our ratings on the covered bonds reflects that we could lower or raise our ratings if we were to change our view of DKD's creditworthiness.

MADRID (S&P Global Ratings) Nov. 1, 2018--S&P Global Ratings today lowered to 'A-' from 'A' its credit ratings on Germany-based Dexia Kommunalbank Deutschland GmbH's public sector covered bond program and related issuances. The outlook on our ratings is stable.

The Dexia Group continues to consider various strategic options for DKD's future including in particular, as recently announced by the group, a sale of

DKD. As a result, we no longer view DKD as a core subsidiary under our group rating methodology framework. Consequently, we have lowered to 'A-' from 'A' our ratings on DKD's public sector covered bond program and all related covered bond issuances.

The overcollateralization available to the public sector covered bond program and all related covered bond issuances has remained stable since our last review (see "Ratings Affirmed On Dexia Kommunalbank Deutschland's German Public Sector Covered Bonds Following Review; Outlook Stable," published on June 15, 2018). The ratings are not constrained by counterparty, legal, operational, or country risks.

The stable outlook on our ratings on the public sector covered bond program and related issuances reflects that we could lower or raise our ratings if we were to change our view of DKD's creditworthiness.

POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including our "Covered Bonds Criteria," published on Dec. 9, 2014. However, the resolution regime analysis section of these criteria is under review (see "Methodology For Assigning Financial Institution Resolution Counterparty Ratings," published on April 19, 2018 and "Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings," published on Jan. 31, 2017).

As a result of this review, we may amend certain paragraphs of our covered bonds criteria. This change may affect the ratings on the outstanding covered bonds issued under this covered bond program. Until this time, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria").

RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - Covered Bonds: Counterparty Risk Analysis In Covered Bonds, Dec. 21, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework

Methodology And Assumptions, June 25, 2013

- Criteria - Structured Finance - CDOs: CDOs And Pooled TOBs Backed By U.S. Municipal Debt; Methodology And Assumptions, April 3, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RELATED RESEARCH

- International Public Finance Rating Trends: German, Austrian, And Swiss Local And Regional Governments, Oct. 22, 2018
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Oct. 16, 2018
- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, Oct. 16, 2018
- European Economic Snapshots For Q4 Published, Oct. 11, 2018
- Global Covered Bond Characteristics And Rating Summary Q3 2018, Sept. 19, 2018
- Global Ratings List: Local And Regional Governments 2018, Sept. 18, 2018
- Dexia Credit Local, July 17, 2018
- Transaction Update: Dexia Kommunalbank Deutschland GmbH (Public Sector Covered Bonds), June 20, 2018
- Ratings Affirmed On Dexia Kommunalbank Deutschland's German Public Sector Covered Bonds Following Review; Outlook Stable, June 15, 2018
- Criteria Guidance: Covered Bonds Criteria, May 2, 2018
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, April 27, 2018
- Glossary Of Covered Bond Terms, April 27, 2018
- Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings, Jan. 31, 2017
- Covered Bond Monitor: Technical Note, Aug. 12, 2015

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