

## Dexia Kommunalbank Deutschland German Public Sector Covered Bond 'A-' Ratings Placed On CreditWatch Positive

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### OVERVIEW

- On Dec. 14, 2018, Dexia Credit Local (DCL) announced the sale of its subsidiary Dexia Kommunalbank Deutschland (DKD) to Helaba. We understand that the sale is expected to close during the second quarter of 2019 after regulatory approvals.
- We are placing on CreditWatch positive our 'A-' ratings on DKD's public sector covered bond program and related issuances.
- The CreditWatch placements reflect the likelihood that, on completion of the acquisition, we will raise the ratings on the covered bonds to incorporate the improvement in our assessment of DKD's creditworthiness due to the incorporation of support from Helaba.

MADRID (S&P Global Ratings) Jan. 14, 2019--S&P Global Ratings today placed on CreditWatch positive its 'A-' credit ratings on Germany-based Dexia Kommunalbank Deutschland GmbH's (DKD) public sector covered bond program and related issuances.

On Dec. 14, 2018, Dexia Credit Local (DCL) announced that it had agreed a sale of all of DKD's shares to Landesbank Hessen-Thüringen Girozentrale (Helaba; A/Positive/A-1). Following the bank's Dec. 15, 2018 press release, we have now received more information about the sale and plans from the related parties. The transaction is pending regulatory approval and is expected to be finalized

during the second quarter of 2019.

On completion of the sale we will likely incorporate support from Helaba in our assessment of DKD's creditworthiness, which is the starting point from which we determine any potential notches of ratings uplift to determine the ratings on the covered bonds. This is credit positive given our current issuer credit rating on Helaba is already higher than the ratings on DKD's covered bonds.

The CreditWatch placements of our ratings on the covered bonds reflect the likelihood that, on completion of the acquisition, we will raise our ratings on the covered bonds to incorporate the improvement in our assessment 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, "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013, "Counterparty Risk Analysis In Covered Bonds," published on Dec. 21, 2015, and "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016.

However, these criteria are under review (see "Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings," published on Jan. 31, 2017, "Request For Comment: Counterparty Risk Framework: Methodology And Assumptions," published on Oct. 9, 2018, and "Request For Comment: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Nov. 20, 2018). As a result of these reviews, we may amend certain paragraphs of our covered bonds criteria and our analysis of counterparty risk in a covered bond program. These changes 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

- Global Covered Bond Characteristics And Rating Summary Q4 2018, Dec. 12, 2018
- Request For Comment: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Nov. 20, 2018
- Ratings Lowered To 'A-' From 'A' On Dexia Kommunalbank Deutschland's German Public Sector Covered Bonds; Outlook Stable, Nov. 1, 2018
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, Oct. 26, 2018
- 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
- Request For Comment: Counterparty Risk Framework: Methodology And Assumptions, Oct. 9, 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
- Glossary Of Covered Bond Terms, April 27, 2018
- Covered Bond Monitor: Technical Note, April 20, 2018
- Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings, Jan. 31, 2017

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