

## **Rating Action: Moody's Public Sector Europe, ("MPSE") assigns (P)Aa3 rating to the Departement de L'Eure's senior unsecured EMTN programme**

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Global Credit Research - 01 Dec 2016

London, 01 December 2016 -- Moody's Public Sector Europe (MPSE) has today assigned a (P)Aa3 rating to the EUR400 million senior unsecured EMTN programme of the Departement de L'Eure (DDE), on par with the long term issuer rating. At the same time, MPSE affirmed the departement's long-term issuer rating at Aa3, the short-term issuer rating at Prime-1 and the commercial paper rating at Prime-1. The outlook is stable.

"The French Departement de L'Eure's Aa3 rating reflects the strong operating performances it has achieved in the last few years, its prudent financial governance and management, as well as its moderate debt and secure liquidity position," says Sébastien Hay, a Senior Credit Officer in Moody's Sub-Sovereign Group and the lead analyst for DDE.

### RATINGS RATIONALE

Today's rating action reflects DDE's strong, albeit deteriorating, budget performance in 2011-15. The departement recorded operating surpluses averaging 13% of its operating revenue over this period and maintained a stable debt-to-operating revenue ratio of 50% in 2015. Rigorous cost control measures enabled DDE to deliver an improved operating surplus of 10.9% in 2015, which is expected to remain stable in 2016 and above previous forecasts.

MPSE expects the departement's strong operating performance and reduced capital expenditure appetite to stabilise its debt-to-gross operating balance ratio below 5 years in 2016. Going forward, solid operating performance should allow the departement to retain a strong credit profile despite the abandonment of the recentralisation of social welfare benefits payments.

DDE is a French departement of about 600,000 inhabitants and is situated in the Normandy region of France.

### WHAT COULD MOVE THE RATING UP/DOWN

Any change in the sovereign rating would most likely have implications on the ratings of the Departement de L'Eure. However, this is unlikely given the current stable outlook assigned to the Government of France's Aa2 rating. Furthermore, any change to the institutional framework that increases DDE's tax powers would have positive rating implications.

However, should DDE's results differ negatively from current forecasts, this would put downward pressure on the rating. In particular, a debt-to-gross operating balance ratio exceeding 10 years would put pressure on the rating.

The assignment of the EMTN debt rating to the Departement de L'Eure required the publication of this credit rating action on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on [www.moody.com](http://www.moody.com)

The specific economic indicators, as required by EU regulation, are not available for this entity. The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

Sovereign Issuer: France, Government of

GDP per capita (PPP basis, US\$): 41,476 (2015 Actual) (also known as Per Capita Income)

Real GDP growth (% change): 1.3% (2015 Actual) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 0.3% (2015 Actual)

Gen. Gov. Financial Balance/GDP: -3.5% (2015 Actual) (also known as Fiscal Balance)

Current Account Balance/GDP: -0.2% (2015 Actual) (also known as External Balance)

External debt/GDP: [not available]

Level of economic development: Very High level of economic resilience

Default history: No default events (on bonds or loans) have been recorded since 1983.

#### SUMMARY OF MINUTES FROM RATING COMMITTEE

On 30 November 2016, a rating committee was called to discuss the rating of the Departement de L'Eure. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutional strength/ framework, have not materially changed. The issuer's governance and/or management, have not materially changed. The issuer's fiscal or financial strength, including its debt profile, has not materially changed. The systemic risk in which the issuer operates has not materially changed.

The principal methodology used in these ratings was Regional and Local Governments published in January 2013. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

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