MOODY'S
RATINGS

Rating Action: Moody's Ratings takes rating actions on 19 French Regional and Local Governments

18 Apr 2025

Paris, April 18, 2025 -- Moody's Ratings (Moody's) has today taken rating actions on 19 French Regional and Local Governments (RLGs).

We have changed the outlooks to stable from negative and affirmed the long-term and short-term ratings and Baseline Credit Assessments (BCAs) for 12 RLGs. Concurrently, we affirmed the BCAs, long-term and short-term ratings and maintained the negative outlooks for three départements.

We downgraded the BCA to a1 from aa3 and long-term issuer rating to A1 from Aa3 for the Region Bourgogne-Franche-Comte, while also affirming its P-1 short-term issuer and commercial paper ratings and changed its outlook to stable from negative. We downgraded the BCA to a2 from a1 and long-term issuer ratings to A2 from A1 of the Departement du Loiret, affirmed its P-1 short-term issuer and commercial paper ratings and maintained the negative outlook. We also downgraded the BCA to a1 from aa3 and long-term issuer ratings to A1 from Aa3 of the Departement de l'Eure, affirmed its P-1 short-term issuer and commercial paper ratings and maintained the negative outlook.

Additionally, we upgraded the BCA to a1 from a2, affirmed the Aa3 long-term issuer and senior unsecured ratings, affirmed the P-1 short-term issuer and commercial paper ratings of Ile-de-France Mobilites (IdFM) and changed the outlook to stable from negative.

Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL505589 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The impact of the recently passed 2025 Finance Law is overall negative for the RLG sector as the central government (Government of France, Aa3 stable) implements fiscal consolidation measures. Detrimental measures include: (i) value added tax (VAT) proceeds shared with RLGs unilaterally capped by the central government to the 2024 proceeds; (ii) a levy on revenue to build a reserve fund – known as the "Dilico"; (iii) a reduction in capital grants, and; (iv) a contribution rate hike to the mandatory pension scheme for RLG civil servants. The impact of these measures on rated RLGs, as well as their capacity to absorb the subsequent shock, varies significantly. We estimate the impacts of these changes are equivalent to a loss of 1.1% of revenue for the sector.

We consequently consider that ongoing support from the central government for French RLGs has weakened, a trend which we expect to persist amid fiscal constraints at the sovereign level and repeated claims from the central government that RLGs will need to contribute to the national fiscal consolidation efforts going forward. This underpins our assessment of a weaker operating environment. That said, the operating environment remains overall supportive, including strong and effective oversight from the central government as well as a track record of ongoing support to mitigate the negative impacts of external shocks.

-- ALL RLGs, EXCEPT FOR FIVE DEPARTEMENTS

RATIONALE FOR CHANGING THE OUTLOOKS TO STABLE FROM NEGATIVE AND AFFIRMING THE RATINGS AND BCAs FOR 12 RLGs

We have changed to stable the outlooks and affirmed the ratings for Region Ile-de-France, Paris, City of, Toulouse Metropole, SYTRAL MOBILITES, Bordeaux Metropole, Caen la Mer, Communaute Urbaine, Grenoble-Alpes Metropole, Rennes Metropole, Rennes, Ville de, Reunion, Region de la, SMMAG and Tisseo Collectivites.

These RLGs are either less exposed to the central government measures or demonstrate greater resiliency to the negative impacts. In particular, the RLGs in charge of providing mobility services are only indirectly exposed to these measures through their members, with no evidence to date of material direct budgetary cuts that would result from members passing on the negative pressures.

The financial performance of these 12 RLGs is relatively solid, and we expect them to maintain operating performance and debt metrics consistent with their respective BCAs and rating levels over the near to medium term. The RLGs within this group with higher debt metrics also have exceptional operating performances, which largely covers their debt service. Those with relatively lower operating performance also have moderate debt burdens and strong debt affordability.

Their strong governance practices will help them navigate the current uncertain environment – including lingering policy uncertainty stemming from political fragility at the national level and global recession risks that are mounting on the back of tariffs and trade turmoil - as demonstrated over the past years during the COVID-19 pandemic and the 2022-23 inflation shocks.

Other credit strengths underpinning the affirmation of the ratings include a solid institutional framework, robust and diversified local economies, strong access to external financing, as well as predictable and regular cash-flows, which also support the short-term ratings.

As part of this rating action, we have also changed the support provider for our assumption of extraordinary support to the Government of France for three RLGs in charge of mobility – SMMAG, SYTRAL MOBILITES and Tisseo Collectivites – to better align with the support provider of other rated intermunicipalities. This also takes into account the consistent track record of the central government's support for these entities. The likelihood of extraordinary support is moderate, in line with other intermunicipalities we rate.

The ratings of other RLGs in this group reflect their BCA and our assumption of a moderate level of support, except for the Region Ile-de-France and City of Paris which have an assumption of high support, from the Government of France should they face liquidity stress.

RATIONALE FOR DOWNGRADING REGION BOURGOGNE-FRANCHE-COMTE'S LONG-TERM RATING AND BCA, AND FOR STABILIZING THE OUTLOOK

The downgrade of the BCA and long-term rating for Region Bourgogne-Franche-Comte reflects our forecast of a deterioration of the region's fiscal trajectory amid a weaker macro-operating environment. Bourgogne-Franche-Comte's projected operating margins for 2025-2026 are lower than our previous forecasts, and its debt burden is set to rise to a moderate level above 125% of operating revenue by 2026. In our view, the credit quality of the region is now more consistent with other regional and local governments rated one notch below the sovereign.

The outlook change to stable from negative reflects the region's very strong governance and high debt affordability which should prevent further deterioration in key metrics. We expect the region's debt burden to remain at moderate levels between 2026-2027 while supporting the regional capital investment plan.

The ratings also factor in our assessment of a moderate likelihood of extraordinary support from the Government of France in the event that Region Bourgogne-Franche-Comte faces extreme liquidity stress.

RATIONALE FOR CHANGING THE OUTLOOK TO STABLE, UPGRADING THE BCA AND AFFIRMING THE RATINGS OF ILE-DE-FRANCE MOBILITES

The upgrade of the BCA to a1 from a2 reflects, in part, our reassessment of the quality of governance, a key ESG (environmental, social, governance) consideration, given the improved visibility over financial planning. More than a year following the implementation of the multi-year financing agreement with the central government, we have additional evidence that the new revenue sources granted are adding to sustained improvements in IdFM's operating performance. The BCA upgrade also reflects IdFM's increased willingness to use its budgetary flexibility, demonstrated by regular increases in tariffs in recent years, which we expect to continue in line with the multi-year financing agreement.

Although uncertainty remains with regards to the ongoing negotiations with Regie Autonome des Transports Parisiens (RATP, Aa3 stable) over the next multi-year contract, we consider that even under downside scenarios, the operating performance and debt metrics would remain consistent with the a1 BCA.

The ratings reflect the BCA and our assumption of a high likelihood of extraordinary support from the Government of France should IdFM face liquidity stress.

The outlook change to stable from negative reflects the absence of detrimental measures for IdFM under the 2025 Finance Law. Meanwhile, the outlook change also reflects the sustained improvements to IdFM's operating performance in 2024, which we expect to continue over the coming years. Despite the uncertain policy environment, IdFM continues to benefit from strong revenue dynamics, thanks to its multi-year agreement with the central government.

-- FIVE DEPARTEMENTS

RATIONALE FOR DOWNGRADING THE BCAs AND RATINGS OF DEPARTEMENT DE L'EURE AND LOIRET, DEPARTEMENT DU

The one notch downgrades to the BCA and long-term ratings of these two départements reflect the additional pressure the measures from the 2025 Finance Law will have on their already challenged operating performance and debt trajectories. We expect their operating performance to remain constrained over a multi-year period, which already reflects the combination of sluggish operating revenue amid declining property transfer tax proceeds since 2023 and rising social expenditures over which they have very limited flexibility. These negative trends will continue to impact their self-financing capacity and, consequently, their debt trajectories.

For Departement de l'Eure, we forecast the primary operating margin to decline gradually towards 6-7% of operating revenue by 2026, down from 13.6% in 2023. Despite a gradual slowdown in investment, we forecast its net direct and indirect debt to increase steadily to around 85% of operating revenue by 2026, compared to 65.1% in 2023. Despite Departement de l'Eure's strong track record of managing expenditure, and prudency built into forecasts, its room for maneuver is limited, given its rigid budget structure and already low level of operating expenditure per inhabitant.

Departement du Loiret is facing a detrimental combination of a material weakening in its operating performance and a rapid increase in its debt burden. We thus expect its primary operating balance to gradually decrease to around 5% of operating revenues by 2026, from 13.5% at the end of 2023. At the same time, its net direct and indirect debt will exceed 90% of operating revenues at the end of 2026, rising from a moderate level of 67.6% in 2023. While Departement du Loiret has been adjusting its 2025 budget, including lowering its capital expenditures, its budgetary flexibility is largely constrained given already low level of operating expenditure per inhabitant. Consequently, Departement du Loiret's operating margin could soon become insufficient to cover debt service, which would breach a key financial requirement.

RATIONALE FOR AFFIRMING THE RATINGS OF DEPARTEMENT DE SEINE-ET-MARNE, DEPARTEMENT DE LA SEINE MARITIME AND DEPARTEMENT DE LA MEUSE

The affirmations of the BCAs and ratings reflect the capacity of these three départements to maintain solid operating margins and contain the upward pressure in their debt burdens after years of debt deleveraging.

Moreover, their strong governance and financial management practices will help them navigate the current uncertain environment – including lingering policy uncertainty stemming from political instability at the national level and global recession risks that are mounting on the back of tariffs and trade turmoil –, as demonstrated over the past years during the COVID-19 pandemic and the 2022-23 inflation shocks. This includes their sound debt and liquidity management and very strong access to external financing. Lastly, these départements retain some flexibility to adjust expenditures.

The ratings of all five départements reflect their BCAs and our assumption of a moderate level of support from the Government of France should they face liquidity stress.

RATIONALE FOR MAINTAINING THE NEGATIVE OUTLOOKS FOR FIVE DEPARTEMENTS

The negative outlooks reflect downside risks to the operating performance of départements over the coming years, exacerbated by the challenges stemming from their inherently rigid budget structure. These risks to the financial trajectory are associated with (i) the difficulty in predicting the trajectory of property transfer tax proceeds given rising macro-economic uncertainties, (ii) continued pressures on social expenditure and (iii) uncertainty over the central government's stance on limiting the resulting negative pressures. A combination of these elements could materially weaken the operating performance of these rated départements compared to our current expectations, and constrain their capacity to maintain sound operating margins and control debt.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

Excluding Region de la Reunion, ESG considerations are not material (CIS-2) for

RLGs. ESG considerations have a moderate impact (CIS-3) for Region de la Reunion.

Environmental risks are muted for most RLGs (E-2). Environmental risks are moderate (E-3) for Departement du Loiret, Departement de Seine-et-Marne, Departement de la Meuse, City of Paris and Region de la Reunion, reflecting exposure to physical climate risks such as flooding or heat stress.

Social considerations are muted for most RLGs (S-2). Social risks are moderate for départements (S-3), which reflects the importance of social spending in their budgets. Moderate social risks for Region Bourgogne-Franche-Comte (S-3) reflect the long-term challenge of an ageing population. For Region de la Reunion, moderate social risks (S-3) stem from high unemployment and poverty rates, as well as population outflows that have a negative effect on human capital.

Most RLGs benefit from very strong governance (G-1), characterized by strong budgetary practices and planning, budgetary flexibility and financial management. For Tisseo Collectivites, the G-2 governance issuer profile score (IPS) balances a complex debt structure and a high cost of debt, reflecting legacy transactions, with otherwise strong governance practices. For Region de la Reunion, G-2 governance IPS factors in the delays and cost overrun in its sea viaduct project that weigh on the quality of planning, while the region otherwise demonstrates high standards of financial management.

ECONOMIC DATA

The specific economic indicators, as required by EU regulation, are not available for Bordeaux Metropole; Caen la Mer, Communaute Urbaine; Departement de la Seine Maritime; Departement de l'Eure; Grenoble-Alpes Metropole; Ile-de-France, Region; Loiret, Departement du; Meuse, Departement de la; Region Bourgogne-Franche-Comte; Rennes Metropole; Rennes, Ville de; Reunion, Region de la; Seine-et-Marne, Departement de; SMMAG; SYTRAL MOBILITES; Tisseo Collectivites; Ile-de-France Mobilites; Toulouse Metropole; Paris, City of. 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$): 63,881 (2023) (also known as Per Capita Income)

Real GDP growth (% change): 0.9% (2023) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 4.1% (2023)

Gen. Gov. Financial Balance/GDP: -5.5% (2023) (also known as Fiscal Balance)

Current Account Balance/GDP: -1% (2023) (also known as External Balance)

External debt/GDP: [not available]

Economic resiliency: aa3

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

SUMMARY OF MINUTES FROM RATING COMMITTEE

On 15 April 2025, a rating committee was called to discuss the rating of Bordeaux Metropole; Caen la Mer, Communaute Urbaine; Departement de la Seine Maritime; Departement de l'Eure; Grenoble-Alpes Metropole; Ile-de-France, Region; Loiret, Departement du; Meuse, Departement de la; Region Bourgogne-Franche-Comte; Rennes Metropole; Rennes, Ville de; Reunion, Region de la; Seine-et-Marne, Departement de; SMMAG; SYTRAL MOBILITES; Tisseo Collectivites; Ile-de-France Mobilites; Toulouse Metropole; Paris, City of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, 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 materially decreased.

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

WHAT COULD MOVE THE RATINGS UP/DOWN FOR RLGs RATED Aa3, EXCEPT FOR DEPARTEMENTS

Given that these issuers are rated on par with the sovereign, an upgrade would at least require an upgrade of the sovereign rating.

One or a combination of the following could lead to a downgrade: (1) lower operating margins for a prolonged period compared with our current expectations; (2) a materially and permanently higher debt burden compared with our current forecasts, and; (3) a significant weakening in liquidity position or market access. Moreover, a downgrade of the sovereign bond rating would have negative implications for the rating.

WHAT COULD MOVE THE RATINGS UP/DOWN FOR RLGs RATED BELOW THE SOVEREIGN, EXCEPT FOR DEPARTEMENTS

One or a combination of the following could lead to an upgrade: (1) a higher than currently expected operating performance, and (2) a lower than currently expected debt burden.

One or a combination of the following could lead to a downgrade: (1) a prolonged period of lower operating margin, compared to our current expectations; (2) a materially and permanently higher debt burden compared to our current forecasts and (3) a material weakening in liquidity position or market access. A downgrade of the sovereign bond rating would most likely have negative implications for the ratings.

WHAT COULD MOVE THE RATINGS UP/DOWN FOR FIVE DEPARTEMENTS

Given the negative outlooks, rating upgrades are unlikely. We would however return the outlooks to stable in the event of a consolidation of operating performance and debt metrics, thanks to their ability to adjust and navigate the current uncertain environment or thanks to additional supporting measures from the central government.

We would likely downgrade the ratings if these départements were not able to consolidate their operating performance and debt metrics, for instance due to additional detrimental measures from the central government or their inability to make adjustment.

The principal methodology used in these ratings was Regional and Local Governments published in May 2024 and available at https://ratings.moodys.com/rmc-documents/421891. Alternatively, please see the Rating Methodologies page on https://ratings.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.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL505589 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

• EU Endorsement Status

• UK Endorsement Status

• Rating Solicitation

• Issuer Participation

• Participation: Access to Management

• Participation: Access to Internal Documents

• Lead Analyst

• Releasing Office

• Person Approving the Credit Rating

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 .

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

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Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

The below contact information is provided for information purposes only. For disclosures on the lead rating analyst and the Moody's legal entity that issued the rating, please see the issuer/deal page on https://ratings.moodys.com for each of the ratings covered.

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