



Moody's Investors Service

Global Credit Research
Rating Action
21 JAN 2009

Rating Action: Fiwapac

Moody's assigns Aa2 rating to Fiwapac debt guaranteed by Walloon Region

EUR375 million of debt affected

London, 21 January 2009 – Moody's Investors Service has today assigned a Aa2 rating to two bonds issued by Fiwapac SA: a EUR125 million bond due 30 June 2010 and a EUR250 million bond due 30 December 2013. The rating is based on the Walloon Region's (Aa2/stable) explicit, first-demand, unconditional and irrevocable guarantee of Fiwapac's debt.

"The deed of guaranty, together with the Walloon Region's tight institutional and financial links to Fiwapac, clearly points to the region's commitment to stand behind the debt issued by Fiwapac," explains Sebastien Hay, Vice President-Senior Credit Officer in Moody's International Public Finance Group.

Under the management agreement signed between the Walloon Region and Fiwapac ('Convention de delegation de mission'), the company is authorised to incur EUR750 million (of which EUR375 million is in the form of bond issuances) in debt, through the region's guaranty, to recapitalise Dexia SA and Ethias Finance (for EUR350 million and EUR500 million, respectively).

The deed of guarantee contains incentives – through the payment of additional interest – to encourage the Walloon Region to promptly intervene if there is any delay by Fiwapac in repaying the bonds. Moody's notes that the text of the guaranty by itself does not explicitly address the question of timeliness. However, the rating agency takes comfort that, pursuant to the management agreement, the Walloon Region is legally obliged to provide Fiwapac with the necessary financial means to repay timely interest and capital repayments. Furthermore, the reputation risk associated with untimely payment provides the region with a strong incentive to intervene on a timely basis.

Moody's notes that the intrinsic financial profile of Fiwapac provides little support to the high rating assigned. This is because Fiwapac's revenue sources are limited to (i) the dividends expected as a result of Fiwapac's participation in Ethias Finance; and (ii) the proceeds drawn from the possible sale of Fiwapac's shares in Dexia SA and Ethias Finance, which will be used to reimburse Fiwapac's financial obligations – but whose amount remains hypothetical at this stage.

"Moody's considers that the Aa2 rating of the Walloon Region itself is not affected by the contingent liabilities taken under this scheme," says Mr. Hay. "While these liabilities add to already significant contingent liabilities, the bulk of this exposure is in the form of guaranteed debt to social housing, which Moody's views as representing limited risk." Additionally, the rating agency notes that, thanks to good budget performance, the Walloon Region has significantly lowered its direct debt-to-revenue ratio in recent years, which constitutes another mitigating factor when considering the impact of the additional contingent liabilities on the rating of the Walloon Region.

Fiwapac's debt rating is based on the analysis of the deed of guaranty from the Walloon region, and factors in the institutional framework under which the company operates.

The principal methodologies used in rating the Walloon Region were "Regional and Local Governments Outside the US", which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory. The last rating action on Walloon Region was implemented by Moody's on 15 January 2009, when the outlook on the region's Aa2 debt rating was changed to stable from positive.

Fiwapac, a public interest limited liability company under Belgian Law, is used by the Walloon Region for the purpose of financing, together with other governments, the recapitalisation of two financial institutions (Dexia SA and Ethias Finance). Fiwapac acts solely as a vehicle to reimburse the debt incurred to finance the capital injections into these financial institutions.

London
Sebastien Hay
VP - Senior Credit Officer
International Public Finance

Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Yves Lemay
Managing Director
International Public Finance
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

CREDIT RATINGS ARE MIS'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."