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Dexia applies for the withdrawal of its banking licences and authorisations for investment services

Continuation of Dexia's mission and resolution outside the banking framework as from the beginning of 2024: acceleration of the simplification of the Group and improvement of the cost trajectory

- *Filing of an application with the Autorité de Contrôle Prudentiel et de Résolution (ACPR) on 4 July 2023 to abandon the credit institution licence and authorisations for investment services of Dexia Crédit Local and the financing company authorisations of Dexia Flobail and Dexia CLF Régions Bail*
- *Continuation of the orderly resolution of the Group as a non-bank as from the beginning of 2024, subject to obtaining the consent of the competent authorities*
- *Withdrawal of banking licences enabling the further rationalisation of Dexia's activities and a simplification of its operations as a source of savings*

Preservation of Dexia Crédit Local's funding capacity

- *Funding guarantee granted by the Belgian and French governments maintained*
- *Guaranteed debt issuance which will continue to benefit from HQLA Level 1 status*
- *Setting up of a Contingency Liquidity Buffer as from the beginning of 2024 to replace the Emergency Liquidity Agreement (ELA) mechanism of the national central banks*

Implementation of a robust framework for risk management and a new surveillance model

- *Maintaining an organisation built around three lines of defence, including compliance monitoring and an internal audit function, and based on a risk appetite framework (RAF)*
- *Rigorous monitoring of solvency and liquidity risks, as well as the operational risk and Asset and Liability Management (ALM), based on precise indicators*
- *Establishment of an ad hoc independent Surveillance Committee, by the Belgian and French governments, made up of members with strong expertise in banking supervision*

Pierre Crevits, Dexia's Chief Executive Officer, said, "The application for the withdrawal of our banking licence is the logical consequence of the Group's orderly resolution. This decision, which we wanted to anticipate and plan, was made possible by the many efforts we have made to reduce our balance sheet and simplify our structure, by virtue of which the merger with Dexia Crediop, as well as by the progress made on the funding front, which now means that the Group no longer relies on central bank funding. I am delighted with this new stage, which would not have been possible without the involvement of the staff who are working so hard to prepare this transformation. This great collective achievement gives our Group a new lease of life and enables us to continue our resolution under optimal conditions."

Gilles Denoyel, Chairman of the Board of Directors of Dexia, said, "The withdrawal of the banking licence is fully in line with the recommendations contained in the European Commission's decision of 2012. This new stage, which will offer the Dexia Group a framework better suited to the continuation of its transformation, is the fruit of close and regular cooperation with our State shareholders: they have approved our roadmap, supported and guided us in this undertaking and will play an active role in its application, in particular through the establishment of the Surveillance Committee. I would first like to thank the Dexia teams, the Board of Directors and also the supervisors, the Autorité de Contrôle Prudentiel et de Résolution, the National Bank of Belgium and the European Central Bank, for their involvement in implementing this major step towards resolution."

Application for the withdrawal of Dexia Crédit Local's banking licence and authorisations for investment services

Meeting on this day, the Boards of Directors of Dexia and of Dexia Crédit Local have approved the filing of an application with the ACPR on 4 July 2023 for the withdrawal of Dexia Crédit Local's credit institution licence and authorisations for investment services, in order to continue its resolution as a non-bank as from the beginning of 2024, subject to the consent of the competent authorities.

An important stage in continuing with the orderly resolution plan which will enable the further simplification of the Dexia Group

The Dexia Group has been managed in orderly resolution since 2012: it no longer carries out any commercial activity and its main mission is the run-off management and financing of its portfolio of assets and related derivatives.

The Group has undergone a profound transformation over the last ten years. Various actions to simplify and reduce its footprint have enabled Dexia to reduce its balance sheet by 82%, from EUR 357 billion as at the end of 2012 to EUR 64 billion as at 31 December 2022. The portfolio of commercial assets fell by 86% over the same period, from EUR 234 billion as at the end of 2012 to EUR 33 billion as at 31 December 2022. The international network has been drastically scaled down, with the final step to be taken in the autumn with the merger of Dexia Crediop and Dexia Crédit Local.

The Group has moreover improved its liquidity position significantly by reducing its liquidity needs, diversifying its funding sources and extending its debt maturities. As a result, Dexia Crédit Local has not called on central bank financing since 2017, and that made it possible to prepare for the end of access to the Eurosystem, effective as from 31 December 2021.

Finally, the intensification of the regulatory burden specific to the status of credit institution appears increasingly out of step with Dexia's situation in terms of induced costs and operating expenses.

As a result, Dexia Crédit Local's status as a credit institution no longer provides the benefits which initially justified maintaining it in 2012.

While continuing to implement the Group's orderly resolution plan, the withdrawal of Dexia Crédit Local's banking licences complies with the principles set out in the European Commission's decision of December 2012, which mentions it as one of the objectives to be pursued under the orderly resolution.

It will simplify Dexia's organisation greatly in the long run, particularly in relation to regulatory production, and will generate substantial savings without impairing the quality of its portfolio monitoring. By way of illustration, Dexia Crédit Local's contribution to the Single Resolution Fund amounted to EUR 65 million in 2022.

Dexia is able to continue its orderly resolution outside the current regulatory framework

Dexia's decision to apply for the withdrawal of the banking licence and authorisations for investment services of Dexia Crédit Local and the financing company authorisations of Dexia Flobail and Dexia CLF Régions Bail is based on a detailed analysis of the impact and risks, which showed that Dexia is perfectly capable of continuing its orderly resolution outside this regulatory framework.

Maintaining Dexia Crédit Local's capacity to carry out its orderly resolution

Despite the withdrawal of the licence and authorisations, the applicable legal framework, supplemented by managerial measures to be taken by the company once the withdrawal of the banking licence has been approved, does not suggest any difficulty in continuing the extinctive management of the balance sheet and will enable Dexia Crédit Local to continue to carry its portfolio as a non-financial entity. Moreover, Dexia Crédit Local will still be able to carry out proprietary trading operations, which are essential for the continuation of its orderly resolution, and will maintain direct access to clearing houses and the main trading venues.

a. Preservation of Dexia Crédit Local's funding capacity through the issuance of debt guaranteed by the Belgian and French governments

Dexia will continue to benefit from the guarantee of the Belgian and French governments for its financing. To recall, this guarantee was extended in 2021 for a period of ten years. The securities issued under this guarantee will retain HQLA Level 1 qualification, for issues made after as well as before the withdrawal of Dexia Crédit Local's banking licence.

Dexia Crédit Local will moreover set up a Contingency Liquidity Buffer as of the beginning of 2024 to replace the Emergency Liquidity Agreement (ELA) of the national banks, access to which will be closed to Dexia Crédit Local when its banking licence is withdrawn.

These elements will enable the Dexia Group to continue to finance its balance sheet under appropriate conditions and volumes and to face potential stressed liquidity situations with the necessary safety margins.

b. Maintaining Dexia Crédit Local's capacity for robust risk monitoring and management

The Dexia Group will replace the prudential banking supervision framework with an appropriate ad hoc risk management and monitoring framework so as to ensure the sustainability of the resolution for the benefit of its counterparties as well as the State shareholders and guarantors. This system will maintain three lines of defence, including compliance monitoring and AML control procedures, as well as an internal audit mechanism. It will be based, as it is today, on a risk appetite framework (RAF) and appropriate monitoring indicators, which will enable solvency and liquidity risks as well as operational risk and asset and liability management (ALM) to be monitored on the basis of precise indicators.

Dexia will thus see to it that solvency is ensured in the short, medium and long term by maintaining a level of capital sufficient to continue the orderly resolution of the Group and by preserving the best possible funding conditions. Based on trajectories projecting the remaining capital at different timeframes and until maturity, in a base scenario and adverse scenarios, Dexia will ensure that the level of capital is always sufficient to see the orderly resolution of the Group to its end.

Furthermore, Dexia will maintain its liquidity via liquidity buffers and the monitoring of survival horizons in each relevant currency, including in adverse scenarios. These liquidity buffers will also be calibrated to cope with stressed market situations and thus avoid calling on the funding guarantee granted by the Belgian and French governments.

Maintenance of the necessary expertise to continue the orderly resolution and the employability of Dexia staff members will remain a major point of attention for the company and its shareholders. Dexia will ensure that staff members are regularly informed of their prospects and that their uncertainty is reduced at every stage of the transformation.

Dexia will also ensure that risks linked in particular to relations with service providers and access to market infrastructures are contained. Globally, operational risks must never significantly affect the Group's ability to manage its short-term liquidity or solvency, or jeopardise business continuity.

Finally, Dexia will maintain Asset Liability Management (ALM) in order to measure and control the interest rate, exchange rate and liquidity risks on its balance sheet.

An independent Surveillance Committee, set up by the State guarantors and composed of members with strong expertise in banking supervision, will take over from the banking supervisors, particularly in terms of risk and internal control monitoring.

For the purposes of its mission, the Committee will carry out the following tasks in particular:

- it will issue an opinion concerning compliance with the fit and proper requirements by candidates for the positions of members of the Board, the Management Board and candidates for the positions of heads of internal control functions (risk management, compliance, internal audit), before they are appointed,
- it will issue technical opinions to the Board of Directors on the assessment of the Dexia Group's risks with regard to the asset and derivative portfolios, the funding structure and the solvency and liquidity positions on a quarterly basis,
- it will issue an opinion if it observes a shortcoming concerning, in particular, the quality of the quantitative data submitted to the Board of Directors, the quality of the tools for monitoring risk indicators, the internal control organisation and systems and the maintenance of the fit and proper requirements of the aforementioned persons,
- it will issue an opinion on the risks associated with any project the impact of which on Dexia's balance sheet, income statement, shareholders' equity or liquidity position could lead to the crossing of warning thresholds in the short, medium or long term,
- it will alert the Board of Directors when Dexia's strategic decisions or their execution suggest incompatibility with the orderly resolution plan or the risk appetite framework and related indicators.

The Committee's opinions and recommendations will be transmitted to Dexia's Management Board and Board of Directors and, in certain cases, to the Belgian and French governments. If the Board intends to depart from the position issued and from any recommendations contained in an opinion of the Committee, it must explain its stance and state the reasons for doing so (*comply or explain*).

c. Change in the status of entities

Relinquishment of the status of credit institution by Dexia Crédit Local will lead to a change in the status of its parent company Dexia SA, which will cease to be a financial company under Belgian law. Dexia Crédit Local will remain a limited company under French law. These changes in status will have no impact on the Group's capacity to continue the activities which are indispensable for its orderly resolution.

A global investor call will be organised on Tuesday 4 July 2023 at 11:30 am CET. Connection details are available on the Group's website www.dexia.com: <https://www.dexia.com/en/investor-news>

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