

Brussels, 20 November 2008

## **State aid: Commission approves joint aid from Belgium, France and Luxembourg to rescue Dexia**

*In accordance with the state aid rules of the EC Treaty, the European Commission has approved a state guarantee for the Dexia financial group following the crisis in the Belgian financial market. The aid, to be provided jointly by Belgium, France and Luxembourg, is to be granted to ensure the group's survival, to restore investor confidence and to encourage inter-bank lending. Given Dexia's size, market share and the prevailing financial crisis, the group's collapse would have given rise to a systemic risk. The Commission has decided that the measure constitutes an appropriate, necessary and proportionate means of remedying a serious disturbance in the Belgian economy and is, therefore, compatible with the EU rules on state aid (Article 87(3)(b) of the EC Treaty), as explained in the Communication on how these rules apply to banks in times of crisis (see [IP/08/1495](#)). It has approved the aid as an emergency rescue measure for a period of six months which may be extended if the crisis continues. The three Member States have undertaken to submit plans for the future of the group within six months of aid being provided for the first time.*

Competition Commissioner Neelie Kroes said that "The solution found for Dexia shows that cross-border cooperation is possible and can be approved rapidly as soon as we have all the relevant information."

Dexia is a financial group active in the banking and insurance sectors. The parent company, Dexia SA, is a limited company incorporated in Belgium and listed on the Euronext Paris and Euronext Brussels stock exchanges. Its market capitalisation was €11.7 billion as at 30 June 2008. Dexia specialises in loans to local authorities but also has 5.5 million private customers, 4 million of whom are in Belgium.

On 9 October Belgium, France and Luxembourg concluded an agreement on a joint guarantee mechanism – covered 60.5% by Belgium, 36.5% by France and 3% by Luxembourg – to facilitate Dexia's access to financing. Between that date and 19 November the Belgian, French and Luxembourg authorities informed the Commission of the measures taken to assist Dexia.

Under the combined impact of several factors (including Dexia's size, its dominant position in certain markets and the exceptional circumstances on the financial market at the time the aid was granted), the collapse of the bank would have had a snowball effect on the Belgian banking sector and, consequently, on the entire Belgian economy.

The aid is intended to facilitate Dexia's access to means of financing in order to restore investor confidence and encourage inter-bank lending. It is limited in time and will be repaid by Dexia at low rates based on the recommendations of the European Central Bank. In view of all these considerations, this measure to assist Dexia is proportionate, appropriate and necessary in order to remedy the group's difficulties.

This decision does not cover the capital increase of €6.4 billion, of which Belgian and French investors subscribed €3 billion in each case and Luxembourg investors €376 million, following a decision taken by Dexia's Board of Directors on 30 September 2008, with a view to countering the impact of the financial crisis on Dexia. Furthermore, it does not cover the guarantee announced on 14 November 2008 in the context of the sale of FSA, Dexia's US subsidiary.

The authorisation is limited to a period of six months. If the crisis continues, this period may be extended at the duly justified request of the Member States concerned. In order to continue to benefit from the derogation granted after the period authorised, the Member States concerned must submit a restructuring or liquidation plan to the Commission. The derogation will then be automatically extended until the Commission has taken a decision on this plan.

The non-confidential version of this decision will be published in the [state aid register](#) under numbers [NN 45/2008](#) (Luxembourg), [NN 49/2008](#) (Belgium) and [NN 50/2008](#) (France) on the [DG Competition website](#) once all the confidentiality problems have been resolved. The e-newsletter [State Aid Weekly e-News](#) contains a list of the most recent state aid decisions published in the Official Journal and on the website.