

Brussels, 26 February 2010

State aid: Commission approves restructuring plan for Dexia

The European Commission has approved, under the EU state aid rules, aid granted by Belgium, France and Luxembourg for the restructuring of Dexia. The Commission's approval is subject to Dexia meeting a number of conditions, including predefined liquidity ratios, and implementing the structural and behavioural measures notified to the Commission.

Mr Almunia, Commission Vice-President with responsibility for competition, said: "The restructuring plan for Dexia is consistent with Commission guidance and, at the end of the restructuring period, will lead Dexia to refocus on its core activities and restore its long-term viability, in particular thanks to more stable financial resources."

Dexia is active in providing finance to local authorities in many countries and in retail banking, mainly in Belgium, Luxembourg and Turkey. The bank was formed in 1996 by the merger of the group Crédit Communal de Belgique-Banque Internationale in Luxembourg and of Crédit Local de France. Dexia's capital is held mainly by the Caisse des dépôts et consignations, Holding communal SA, Arcofin SA, and the Belgian and French Governments. Dexia's balance sheet totalled €593 billion on 30 September 2009.

In response to the acute difficulties threatening the survival of the bank, Belgium, France and Luxembourg granted rescue state aid that consisted of:

- a capital injection of €6 billion, of which the Commission regards €5.2 billion as state aid;
- a guarantee by the Belgian, French and Luxembourg Governments in respect of certain of Dexia's liabilities up to a maximum of €150 billion, reduced to €100 billion since 1 November 2009;
- emergency liquidity support from the Belgian National Bank, guaranteed by the Belgian State, and
- a guarantee by the Belgian and French Governments in respect of a portfolio of impaired assets held by Financial Security Assurance Asset Management (FSAM) for a nominal amount of \$16.6 billion at 30 January 2009.

These aid measures were the subject of a Commission decision dated 19 November 2008 that also required the Member States to present a restructuring plan for Dexia ([IP/08/1745](#)). The plan was submitted in February 2009 and the Commission opened an in-depth investigation on 13 March 2009 ([IP/09/399](#)).

Under the restructuring plan, as amended by the Member States on 9 February 2010, the group will focus on its core banking activities and its traditional markets - Belgium, France and Luxembourg. Dexia will reduce its public-sector lending activity outside these markets and its bond portfolio, which will be ring-fenced in a specific division in the bank in line with a predefined write-down plan. In addition, Dexia will have to continue to reduce its market activities and will cease proprietary trading.

Dexia will also have to improve the stability, quality and maturity of its sources of financing by respecting a number of ratios that will be monitored by the Commission every six months.

The Commission examined the aid measures in the light of its communication on the treatment of impaired assets in the banking sector ([IP/09/322](#)) and the restructuring plan having regard to its guidelines on restructuring aid to banks ([IP/09/1180](#)). The Commission concluded that the restructuring measures should allow Dexia to restore its long-term viability, in particular by reducing its dependence on the money and bond markets. In this respect, compliance by Dexia with quantitative targets for improving its financing will improve the stability, quality and maturity of its sources of finance. Dexia will also make a sufficient own contribution to the restructuring costs by suspending, for two years, dividend payments on cash equities and interest payments on instruments constituting own funds. Finally, the Commission takes the view that the gradual cessation of certain activities provided for in the restructuring plan will be enough to offset the distortions of competition caused by the aid. The Commission therefore concluded that the restructuring plan was compatible with the state aid rules in the Treaty on the Functioning of the European Union (TFEU).

The in-depth investigation carried out by the Commission also allayed its fears by allowing it to ensure that the value of the FSAM portfolio was consistent with its communication on impaired assets. Moreover, the remuneration paid by Dexia to the Belgian and French authorities was more than required by the communication.

The Commission is making its approval subject to implementation of the commitments made by the Member States with regard to achieving the objectives to reduce the size of the balance sheet, for certain target liquidity ratios, and to implement the notified restructuring measures.

The non-confidential version of the decision will be made available under the case number in the [State Aid Register](#) on the [DG Competition website](#). New publications of state aid decisions on the Internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).