Press release

DEXIA

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Decisions by the European Central Bank detailing the regulatory requirements and the specific supervisory approach applied to Dexia as from 1 January 2018

On 30 November 2017, 8 December 2017 and 2 February 2018, The European Central Bank (ECB) took several decisions related to Dexia. They include the conclusions of the ECB within the framework of the Supervisory Review and Evaluation Process (SREP).

Within that framework, the ECB has *inter alia* informed Dexia of the qualitative and quantitative regulatory capital requirements which are applicable to Dexia SA and certain of its subsidiaries as from 1 January 2018, in accordance with Regulation (EU) No 1024/2013 of the Council dated 15 October 2013.

In this regard, the level of total SREP capital requirement applicable to Dexia SA in 2018 has been set at 10.25% on a consolidated basis. This level includes a minimum own funds requirement of 8% (Pillar 1) and an additional own funds requirement of 2.25% (P2R – Pillar 2 Requirement). By including the capital conservation buffer, of 1.875% in 2018, this brings the capital requirement to 12.125%.

These levels are also applicable to Dexia Crédit Local, on a consolidated basis, as well as Dexia Kommunalbank Deutschland and Dexia Crediop.

To recall, as at 30 June 2017, the total capital ratios of Dexia SA and Dexia Crédit Local were 18.0% and 14.7% respectively.

The ECB also informed Dexia that the tailored, pragmatic and proportionate prudential approach taking into consideration Dexia's specific and unique situation as a bank in resolution has been extended in 2018. Nevertheless, such renewal would be accompanied by a convergence towards the general supervisory framework, reflected by a strengthening of certain requirements:

- The requirement applicable by virtue of the Liquidity Coverage Ratio (LCR) amounts, as at 1 January 2018, to a minimum of 100% at company and consolidated levels. If this minimum level is not kept, Dexia will have to guarantee observance of a threshold of 80% at a consolidated level over the year 2018 and to inform the ECB thereof by submitting to it new LCR projections as well as a remediation plan.

  To recall, the improvement of the Group's liquidity position enabled it to keep its LCR ratio and that of Dexia Crédit Local above the 80% level over the year 2017.

- Dexia must nonetheless deduct from its CET1 regulatory capital the economic impact which might be generated by remediation on a failure to observe the constraint regarding large exposures. As at 1 January 2018, this related to one exposure and the deduction from regulatory capital is estimated at EUR 145 million for Dexia SA and EUR 185 million for Dexia Crédit Local[1].
- Finally, the ECB states that it expects Dexia to observe the leverage ratio. As at 30 June 2017, the leverage ratios of Dexia SA and Dexia Credit Local were 4.0% and 3.2% respectively, above the regulatory minimum of 3%.

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[1] *Based on a calculation of own funds taking account of the estimated impact of the IFRS9 first-time adoption.*