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Prudential requirements applicable to the Dexia Group with regard to solvency as from 1 January 2020

The European Central Bank (ECB) informed the Dexia Group of the qualitative and quantitative prudential requirements with regard to solvency applicable to Dexia SA and Dexia Crédit Local, on a consolidated basis, and its Italian subsidiary Dexia Crediop as from 1 January 2020, in accordance with Council Regulation (EU) 1024/2013 dated 15 October 2013. These requirements are based in particular on the conclusions of work carried out by the ECB within the framework of the Supervisory Review and Evaluation Process, (SREP).

The Total SREP Capital Requirement (TSCR) has been set at 11.25% on a consolidated basis. This level includes a minimum own funds requirement of 8% (Pillar 1) and an additional own funds requirement of 3.25% (P2R – Pillar 2 Requirement), to be made up entirely of Common Equity Tier 1. By including the capital conservation buffer, of 2.5%, as well as the countercyclical buffer relating to exposures in France and the United Kingdom, estimated at 0.50%[1], this takes the own funds requirement to 14.25%. By way of a reminder, in 2019, the level of Total SREP Capital Requirement applicable to Dexia SA was set at 13.85% (including the capital conservation buffer).

In addition the ECB expects Dexia to comply with Pillar 2 capital guidance (P2G) of 1%, to be held over the level of 14.25% and to be made up entirely of Common Equity Tier 1 capital (CET 1).

As a consequence, the minimum level of the CET1 ratio goes to 11.75%, taking account of P2G.

To recall, as at 30 June 2019, the Total Capital ratios of Dexia SA and Dexia Crédit Local were 25.3% and 22% respectively. The Common Equity Tier 1 ratios were 24.7% and 21.5% respectively.

The ECB further informed Dexia, within the context of convergence towards the general supervisory framework, that the Group must observe the large exposures ratio, as any other bank, as from the second quarter of 2020. To recall, within the framework of the specific approach granted by the ECB, until then Dexia benefitted from a tolerance which allowed it to deduct from its CET1 regulatory capital the economic impact which might be generated by remediation on a failure to comply with the constraint regarding large exposures on “Legacy” credit exposures[2]. As at the end of June 2019, this theoretical amount deducted from regulatory capital was EUR -107 million.

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[1] *Applicable as from the second quarter 2020, take into account the countercyclical buffer relating to the French exposures*
[2] *Cf. Press release Dexia of 5 February 2018, available on www.dexia.com*