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Validation of the prolongation of the Dexia funding guarantee by the Belgian and French States

Following the approval¹ by the European Commission of the prolongation of the Dexia funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States ratified the legal texts relating to this prolongation, on 29 December 2020 and 27 May 2021 respectively.

The prolonged funding guarantee retains most of its current features and remains therefore joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the scheme:

- The new guarantee ceiling is EUR 75 billion;
- The Luxembourg State does no longer participate in the guarantee scheme. Its 3% share is distributed between the Belgian and French States in proportion to their current shares of 51.41% and 45.59% respectively, resulting in a proportion of 53% for Belgium and 47% for France;
- The remuneration for the guarantee remains at 5 basis points per annum on the guaranteed amounts outstanding, payable monthly. This fee will be increased by a conditional deferred fee, which will be payable on the Group's liquidation and provided that Dexia Crédit Local no longer holds a banking licence. The tariff structure for this fee will be progressive from 2022, and reach an annual rate of 135 basis points on outstanding in 2027.

Thus, as announced previously², the conditional deferred fee is subordinate to the rights of preferential unsecured or subordinated creditors at a "Tier 2" or higher level of Dexia Crédit Local. However, it takes precedence over hybrid "Tier 1" securities of Dexia Crédit Local (ISIN FR0010251421) and Dexia SA/NV (ISIN XS0273230572).

The deferred part of the fee which Dexia Crédit Local will have to pay to the Belgian and French States on its liquidation, as remuneration for the guarantee, will be at a level such that it should absorb the net liquidation proceeds of Dexia Crédit Local. Consequently, neither the holders of hybrid subordinated "Tier 1" debt of Dexia Crédit Local (ISIN FR0010251421) and Dexia SA/NV (ISIN XS0273230572) nor the States, as holders of profit shares issued by Dexia SA/NV, nor the shareholders of Dexia SA/NV (States and other shareholders) should receive any proceeds whatsoever following the liquidation of Dexia, such proceeds being paid to the Belgian and French States as a conditional deferred fee.

¹ https://ec.europa.eu/commission/presscorner/detail/en/mex_19_5875

² Cf. Dexia Press Release dated 26 February 2019, available at www.dexia.com.

This guarantee remuneration structure makes it possible fully to implement the principle of burden sharing which underpins Dexia's orderly resolution and requires that any improvement in Dexia's financial situation only benefits the State shareholders and guarantors.

Dexia Crédit Local will continue to refinance itself under the guarantee scheme currently in force until 31 December 2021 and the debt already issued or to be issued before that date will be covered until its contractual maturity by the guarantee agreement of 24 January 2013. As at 25 May 2021, the Dexia guaranteed debt outstanding amounted to EUR 50 billion.

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