Belgium, France, Luxembourg: Dexia Group Restructuring, 2011

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Belgium, France, Luxembourg: Dexia Restructuring, 2011

Ayodeji George

Yale Program on Financial Stability Case Study
March 28, 2024

Abstract

Dexia Group (Dexia, or the Group), a banking and insurance conglomerate, was the world’s largest municipal lender in 2008, with major operations in Belgium, France, and Luxembourg. Heavy exposure to the US housing market at the onset of the Global Financial Crisis caused EUR 3.3 billion in losses, and Dexia faced runs from Belgian and Luxembourgish depositors in late September 2008. On September 30, 2008, authorities announced a EUR 6.4 billion (eventually EUR 6 billion) public and quasi-private capital injection for Dexia to remain adequately capitalized amid market distress. The European Commission (EC) approved the Group’s transformation plan on February 26, 2010, which consisted of measures to refocus Dexia’s activities to historical markets, restore liquidity and reduce its risk profile. However, the eurozone crisis of 2011 caused a net loss of EUR 11.6 billion, creating a negative equity situation and forcing authorities to pursue another intervention. The Belgian government nationalized Dexia Bank Belgium on October 10, 2011, for EUR 4 billion, and a Qatari firm and the Luxembourgish government later purchased Dexia Banque Internationale à Luxembourg. The EC approved a resolution plan for Dexia on December 28, 2012, which included a EUR 5.5 billion capital injection from the Belgian and French governments. The Group remains in orderly resolution as of the writing of this case study, while the former Belgian and Luxembourgish subsidiaries operate separately with ownership stakes from their respective governments. Belfius, 100% owned by the Belgian government, is a systemically important financial institution as Belgium’s second-largest retail bank, with an equity book value of EUR 11 billion as of year-end 2022.

Keywords: Belgium, eurozone crisis, France, Global Financial Crisis (GFC), Luxembourg

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1 This case study is part of a Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering bank resolutions and restructurings. A survey of all the cases in this series (McNamara et al. 2024) and the individual cases underlying it are available from the Journal of Financial Crises at https://elischolar.library.yale.edu/journal-of-financial-crisis/vol6/iss1.

2 Research Associate, YPFS, Yale School of Management.
Overview

This module concerns the restructuring of Dexia SA in 2008 and its eventual resolution in 2012, which followed two ad hoc capital injections into the Group, referenced in a corresponding case (George, forthcoming).

The Dexia Group (Dexia, or the Group) was a financial conglomerate that was among the 15 biggest banks in the eurozone and the world leader in public sector finance. The group structure consisted of an overarching holding company called Dexia SA, which housed its subsidiaries for the three major markets through Dexia Crédit Local (DCL) in France, Dexia Banque Internationale à Luxembourg (DBIL), and Dexia Bank Belgium (DBB). Alongside these three major subsidiaries, Dexia SA also owned the US-based monoline insurer Financial Security Assurance (FSA) and DenizBank based in Turkey (Bottiglia, Gualandri, and Mazzocco 2010; Dexia 2009; ECB 2008; EC 2013).

In 2008, Dexia faced losses in the US subprime mortgage market through structured credit securities, and its activities were largely reliant on wholesale funding markets. Dexia’s losses and impairments booked in 2008 totaled EUR 5.9 billion. Interbank markets froze in September 2008 following the collapse of Lehman Brothers, leading to a short-term liquidity gap at Dexia. By late September 2008, Belgian and Luxembourgish depositors had withdrawn EUR 15 billion of deposits from a total deposit base of EUR 115 billion (Boudghene et al. 2010; Thomas 2012).

By September 29, 2008, Dexia’s short term financing needs totaled EUR 260 billion with virtually no access to short-term liquidity from interbank markets. Faced with concerns of insolvency, the Dexia Board of Directors pursued a capital increase, citing

Key Terms

| Purpose | Government authorities and Dexia’s leadership initially aimed to restore the Group’s liquidity, prioritize business lines in Belgium, France, and Luxembourg, and adapt its cost structure, but further losses resulted in the bank’s orderly resolution |
| Size and Nature of Institution | Dexia Group provided banking and insurance services, specializing in public financing with EUR 651 billion in assets at year-end 2008 |
| Source of Failure | Heavy exposure to US real estate in 2008 and impaired sovereign debt during the eurozone crisis of 2011; over-reliance on short-term funding |
| Start Date | November 14, 2008 |
| End Date | Dexia SA, the bad bank, remains in orderly resolution |
| Approach to Resolution and Restructuring | In 2011, authorities sold DBB and DBIL, and in 2012 Dexia SA’s leadership became responsible for the timely disposal of Dexia’s assets |
| Outcomes | After EUR 11.5 billion in capital injections to nationalize Dexia SA, it remains in orderly resolution. The market saw the return to bond markets of the renamed Belgian arm of the bank, Belfius, in 2018 as a strong sign of health, and the book value of the 100% government equity stake was EUR 11.1 billion at the end of 2022 |
| Notable Features | The credit guarantee provided to Dexia in 2008 became the model for a broad-based guarantee program for the Belgian banking sector |
the difficulties faced by financial institutions amid deteriorating market conditions. Following all-night negotiations, the governments of Belgium and France announced a EUR 6 billion capital injection intended to maintain the bank's solvency and restore stability.\(^3\) Alongside the capital injection, Belgium, France, and Luxembourg also provided a EUR 150 billion credit guarantee of Dexia’s debt issuance and obligations (EC 2008; Thomas 2012; White 2008). Following the capital injection, authorities required Dexia’s Board of Directors to draft a restructuring plan to downsize the bank’s risk portfolio and shift focus to business lines in its historical markets of Belgium, France, and Luxembourg. On November 14, 2008, Dexia agreed to sell FSA to Assured Guaranty (AG) to trim its exposure to U.S. real estate markets. Following the sale and purchase agreement, Dexia announced that FSA had contributed EUR 3.1 billion to its 2008 loss. Also on November 14, 2008, Dexia announced its restructuring plan, which the European Commission (EC) ratified on February 26, 2010 (Dexia 2009; Dexia 2011c; EC 2010a).

European authorities subjected Dexia to a series of stress tests in 2010 and 2011, all of which suggested that Dexia was well capitalized and stable. However, the eurozone sovereign debt crisis of 2011 caused a large shock to Dexia’s liquidity and created major mark-to-market losses. Dexia’s balance sheet featured EUR 22 billion of sovereign debt at year-end 2010 and EUR 96 billion of short-term financing needs in September 2011. Belgian authorities responded by nationalizing DBB in October 2011, purchasing it from Dexia for EUR 4 billion. The governments of Belgium and France then worked with the bank’s executives to draft a new orderly resolution plan for the gradual disposal of Dexia’s assets. As part of the plan, Belgian and French authorities provided another capital injection to Dexia totaling EUR 5.5 billion (Dexia 2011c; Dexia 2013; Thomas 2012).

After separating from Dexia, Belfius operated as an autonomous nationalized bank and remains fully government owned. The Belfius 2022 annual report stated that the book value of the 100% government stake in Belfius was EUR 11.1 billion. The Luxembourgish subsidiary operates individually as well, with the Luxembourg government owning a 10% stake. Dexia SA remains in orderly resolution at the time of the writing of this case study, having applied to have its banking license withdrawn in July 2023 (BIL 2023; Belfius 2012; Belfius 2023a; Belfius 2023b; Cleary Gottlieb 2012; Dexia 2023a; Dexia 2023b; Smith 2018). A timeline of the events related to the Dexia restructuring and resolution is shown in Figure 1.

**Figure 1: Timeline of Events Related to the Dexia Intervention**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept. 29, 2008</td>
<td>Belgian, French, and Luxembourgish authorities enter meetings to determine solution for troubled Belgian financial institutions.</td>
</tr>
<tr>
<td>Sept. 29, 2008</td>
<td>Dexia board of directors decides to proceed with a capital increase of EUR 6 billion. Belgian and French authorities agree to take part.</td>
</tr>
</tbody>
</table>

\(^3\) The original plan called for a EUR 400 million contribution from Luxembourg as well. The European Commission (EC) exempted the Luxembourgish contribution in its formal approval of the measures on February 26, 2010, bringing the total to EUR 6 billion (EC 2010a; Whitbeck 2013).
Sept. 30, 2008 | Capital injection approved by Dexia Board of Directors and publicly announced.
---|---
Oct. 9, 2008 | Belgian, French, and Luxembourgish authorities announce a joint credit guarantee program to support Dexia’s ability to finance itself.
Nov. 14, 2008 | Dexia’s leadership secures a sale and purchase agreement with Assured Guaranty for FSA, and announces its transformation (restructuring) plan. FSA contributed EUR 3.1 billion to the 2008 loss for Dexia.
Feb. 2009 | Belgium, France, and Luxembourg submit initial restructuring plan for Dexia. Plan involves the reduction of risks and sale of loss-making subsidiary FSA.
Fall–Spring 2010 | Dexia passes a series of stress tests suggesting a resilient financial position and publicizes positive indicators on its restructuring process.
May 2010 | Dexia exposure to sovereign debt delivers another liquidity shock and unveils significant unrealized mark-to-market losses.
June 30, 2010 | Dexia exits credit guarantee program.
Oct. 2011 | After losing access to liquidity after ratings agencies put it on negative watch, Dexia is prepared for orderly resolution by Belgian, French, and Luxembourgish authorities.
Oct. 20, 2011 | DBB sold to the Belgian state for EUR 4 billion. Authorities announce drafting of orderly resolution plan for Dexia SA.
Nov. 26, 2012 | Belgium submits final version of restructuring plan for DBB/Belfius.
March 23, 2012 | Ninety percent of DBIL is acquired by a Qatari investment fund, with the Luxembourg State acquiring the remaining 10%.
Dec. 14, 2012 | EC notified of credit guarantee for Dexia SA and DCL.
Dec. 31, 2012 | EC approves Dexia orderly resolution plan and Belgium and France inject EUR 5.5 billion into Dexia SA.

Sources: Belfius 2012; Dexia 2009; 2012; Dow Jones International News 2008; EC 2008; EC 2010a; EC 2013; Thomas 2012

Summary Evaluation

A book chapter evaluating the State Aid provided to Belgian banks notes that Belgian authorities were unique in their decision to devise individual measures for ailing banks rather than general State Aid schemes. The author suggests the need for immediate and large-scale emergency response and the heavily concentrated nature of the Belgian banking sector as potential rationale for this choice of intervention strategy (Duprey 2017).

In October 2011, a Financial Times article articulated several lessons learned from Dexia’s rescue. Specifically, the article cites the difficulty of bank rescues that involve multiple governments. The article cites price tensions between the Belgian and French governments as well as between Belgium’s federal leaders and regional authorities regarding contributions to the capital injection. As such, the article advocates for a pan-European bank resolution regime (Financial Times 2011; Thomas 2012).

Belgian financial journalist Pierre-Henri Thomas places much of the blame for Dexia’s descent into orderly resolution on EC authorities who failed to design adequate stress tests.
to identify the substantial risk of failure. Thomas also identifies a lack of continuity between the actions of Belgian and French authorities which resulted in different treatment of Dexia’s subsidiaries in the two countries (Thomas 2012).

French financial journalist Alain Piffaretti also notes an argument that, had Dexia been liquidated in 2008, it may have been able to curb its exposure to soon-to-be-impaired sovereign debt prior to the onset of the eurozone crisis. Piffaretti offers another critique on the validity of trying to maintain a business model that had shown itself to be unviable. He also argues that the guarantees provided to Dexia actually forced the Group towards liquidation due to the fees that authorities charged (Piffaretti 2013).

A *New York Times* article frames the debate around the size of bailout packages and the amount of losses that should be imposed on creditors. Individuals with direct knowledge of the matter stated that Dexia would meet its obligations in full. The articulated juxtaposed this against aggressive collateral demands from trade partners worsening Dexia’s problems. In the article, Walker Todd of the American Institute for Economic Research argued against using public money for the payoffs of derivatives. He is quoted saying, “This is like using public funds to support your local casino. It is difficult to see how this is good for society in the long run” (Morgensen and Story 2011).
<table>
<thead>
<tr>
<th>Context: Belgium, Dexia Group, 2011–2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
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<tr>
<td></td>
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<tr>
<td><strong>Deposits</strong></td>
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<tr>
<td></td>
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<tr>
<td><strong>Capital Ratio (Tier 1)</strong></td>
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<tr>
<td></td>
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<tr>
<td><strong>Nonperforming Loans</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
</tr>
<tr>
<td><strong>Banking System, % of GDP</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*Sources: Bloomberg; Dexia 2012; Dexia 2013; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset.*
Key Design Decisions

1. **Purpose:** After an initial restructuring period in 2008, continued shocks and losses in 2010–2011 resulted in the separation of DBB and DBIL and the 2012 orderly resolution of Dexia to avoid the materialization of systemic risk.

The restructuring and resolution of Dexia SA took place across three phases; an initial transformation plan in 2008, followed by separations of DBB and DBIL in 2011, and an orderly resolution plan in 2012.

Dexia primarily relied on wholesale funding markets due to the impossibility of a material increase in its customer deposit-taking activities. As such, the freezing of interbank and capital markets in the aftermath of the collapse of Lehman Brothers caused a significant short-term liquidity gap for Dexia. Impairments on credit assets and exposure to struggling sovereign counterparties worsened Dexia’s situation. Markets had first expressed worries about Dexia’s exposure to FSA in July 2008 after short-seller Bill Ackman voiced concerns about the insurer (Boudghene et al. 2010; Forbes 2008).

In response to its financial difficulties, Dexia’s Board of Directors decided to pursue a capital increase of EUR 6 billion, which was provided by the Belgian and French governments. At the time, Dexia had estimated EUR 350 million in immediate losses due to the collapse of Lehman Brothers, and later reported a loss of EUR 3.2 billion associated with FSA (EC 2008; Maitre 2009; White 2008).

**2008 Transformation Plan**

In the immediate aftermath of the capital injection, Dexia’s new leadership first looked to sell the insurance activities of FSA, which contributed EUR 3.1 billion to Dexia’s EUR 3.3 billion net loss in 2008. Authorities considered a good bank, bad bank split, but French and Belgian officials rejected various proposals due to differences in the goals of the two authorities. French authorities sought to preserve Dexia as a key source of municipal funding while Belgian authorities were concerned primarily with financial stability (Dexia 2009; IMF 2014).

A key prerequisite for the sale of FSA was a government guarantee on the impaired assets contained in the subsidiary’s portfolio. On November 14, 2008, Dexia’s leadership secured a sale and purchase agreement with Assured Guaranty for FSA and presented a restructuring plan involving further measures intended to reduce the Group’s risk profile, prioritize business lines in its historic markets of Belgium, France, and Luxembourg, and reform the cost structure (for more on the sale of FSA, see Appendix A). The disposal of FSA reduced Dexia’s risk exposure in 2009, and the governments of Belgium, France, and Luxembourg proceeded to submit a restructuring plan to the European Commission in February 2009. The restructuring plan was intended to restore the long term viability of Dexia, share the
cost of the restructuring, and compensate for the distortions of competition (Boudghene et al. 2010; EC 2010a; Dexia 2009; Laprécote and Coupé 2017).

### 2011 Separation of DBB and BIL

In May 2010, despite the significant de-risking of Dexia’s portfolio through the disposal of FSA and other subsidiaries, the sovereign debt crisis delivered another liquidity shock and revealed major losses in the asset portfolio. During the eurozone crisis, Dexia held EUR 22 billion in sovereign bonds, and write downs on some of this debt exceeded 21%. Dexia had passed a series of stress tests throughout 2010 and exited the state credit guarantee program on June 30, 2010. The Group’s interest rate swaps created the largest liquidity issue, and by September 2011, the Group faced EUR 44 billion in margin calls on this portfolio. Moody’s placed Dexia Bank Belgium, Dexia Crédit Local, and Dexia Banque Internationale à Luxembourg under review for downgrade on October 3, 2011 (De Groen 2011; Dexia 2011c; Thomas 2012; Whitbeck 2013).

Faced with large-scale runs from Belgian and Luxembourghish depositors, officials from Belgium, France, and Luxembourg commenced negotiations regarding the breakup of Dexia on October 7, 2011. Belgian authorities stressed that the purchase of DBB was urgent as a matter of financial stability. The purchase would prevent a major loss of public confidence that might cause a run on the bank, which would in turn have serious implications for the Belgian banking sector and the larger European banking system. Authorities and Dexia’s Board of Directors announced the Belgian nationalization of DBB and ongoing negotiations for the sale of DBIL on October 10, 2011 (Dexia 2011b; EC 2013).

### 2012 Orderly Resolution Plan

Following ongoing State Aid measures throughout 2011 and early 2012, authorities collaborated with Dexia’s Board of Directors to create a resolution plan for Dexia SA. Dexia SA entered orderly resolution in December 2012, ending the Group’s commercial activities. The mandate of management became the disposal of assets while avoiding systemic risk and any further recourse to the French and Belgian taxpayers who owned the majority of the Group’s equity. To promote stability and resolve the negative equity situation at Dexia SA, Belgian and French authorities provided a EUR 5.5 billion capital injection (Dexia 2013; Dexia 2023a; EC 2013).

### 2. Part of a Package: Before restructuring and resolution, Belgian and French authorities provided Dexia with a capital injection, a credit guarantee, and emergency liquidity assistance.

Figure 2 provides a broad overview of the aid measures provided to Dexia during the 2008 transformation plan, 2011 separations, and 2012 orderly resolution plan.

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4 Avoiding distortions to market competition was an important pre-condition for EC approval.
### Figure 2: Other Intervention Measures Related to Dexia Restructuring

<table>
<thead>
<tr>
<th>Date</th>
<th>Intervention</th>
<th>Authority</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2008</td>
<td>Emergency Liquidity</td>
<td>Federal Reserve</td>
<td>$58.5 billion</td>
</tr>
<tr>
<td>October 2008</td>
<td>Emergency Liquidity</td>
<td>French and Belgian central banks</td>
<td>EUR 15 billion</td>
</tr>
<tr>
<td>October 2008</td>
<td>Capital Injection</td>
<td>Belgian government, French government, Luxembourgish government, existing institutional shareholders</td>
<td>EUR 6 billion</td>
</tr>
<tr>
<td>October 2008</td>
<td>Credit Guarantee</td>
<td>Belgian, French, and Luxembourgish governments</td>
<td>EUR 150 billion</td>
</tr>
<tr>
<td>November 2008</td>
<td>Asset Guarantee</td>
<td>Belgian and French governments</td>
<td>EUR 3.2 billion</td>
</tr>
<tr>
<td>October 2011</td>
<td>Emergency Liquidity</td>
<td>Belgian Central Bank</td>
<td>Amount Unavailable</td>
</tr>
<tr>
<td>December 2011</td>
<td>Credit Guarantee</td>
<td>Belgian, French, and Luxembourgish governments</td>
<td>EUR 85 billion</td>
</tr>
<tr>
<td>December 2012</td>
<td>Capital Injection</td>
<td>Belgian and French governments</td>
<td>EUR 5.5 billion</td>
</tr>
</tbody>
</table>

Sources: EC 2008; EC 2010a; EC 2013.


Before the drafting of the 2008 restructuring plan, Belgian and French authorities provided a EUR 6 billion capital injection in the fall of 2008. The French and Belgian Central Banks also provided Dexia with Emergency Liquidity Assistance (ELA) totaling EUR 15 billion on October 1, 2008. The capital injections are described in greater detail in (George, forthcoming)⁵. Belgian, French, and Luxembourgish authorities also provided a credit guarantee for Dexia on October 9, 2008, which came into effect on October 31, 2008, with a

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⁵ The Dexia capital injection preceded a broad-based capital injection program administered by the French Société de prise de participation de l’État (SPPE). For details, see Jeffereis (2021).
maximum of EUR 150 billion. The guarantee covered new financing with a maximum maturity of three years, and Dexia’s leadership committed to reducing its dependence on short-term financing as part of the guarantee agreement. The maximum amount was first reduced to EUR 100 billion, and eventually to EUR 80 billion. The Dexia guarantee became the model for a system wide credit guarantee that Belgium enacted in October 2008 (EC 2008; EC 2010a; EC 2013; Lawson 2020).

Authorities also created an “impaired asset measure” for Dexia in November 2008. The measure provided an additional guarantee for the bank’s risky structured credit portfolio. Though ultimately never drawn upon, the EC assessed the measure as EUR 3.2 billion of State Aid. The creation of this measure was a key prerequisite for the sale of FSA to Assured Guaranty on November 14, 2008 (Boudghene et al. 2010; EC 2013; IMF 2013; Maitre 2009).

In response to sovereign credit losses and the liquidity shock during the eurozone crisis, French and Belgian authorities provided a EUR 5.5 billion capital injection in 2012 to facilitate Dexia’s orderly resolution. Joined by Luxembourg, these authorities also provided a credit guarantee for Dexia SA and DCL along similar terms as those provided as part of the 2008 restructuring (See Key Design Decision No. 8, Approach to Resolution and Restructuring). This guarantee carried a maximum of EUR 85 billion and total guaranteed bonds amounted to EUR 38 billion in 2022. Dexia paid a monthly commission of EUR 22 million for its guaranteed financing and research has not revealed any state losses associated with the guarantee program. In addition, the European Central Bank (ECB) provided ELA in October 2011. The Banque Nationale de Belgique provided ELA to support the separation of DBB/Belfius from Dexia SA, and authorities notified the EC of this measure on October 21, 2011. DBB/Belfius stopped using the ELA support by February 2012 (Dexia 2011a; Dexia 2012; Dexia 2023c; EC 2013).

3. **Legal Authority: The Law of April 2, 1962, established the Federal Participations and Investment Company and authorities operated within the purview of the European Commission.**

Article 108(2) of the Treaty on the Functioning of the European Union gave the EC final approval power over intervention measures implemented by member states (EC 2012).

The Law of April 2, 1962, established the Federal Participations and Investment Company (SFPI), a quasi-private entity which handled government interventions into Belgian businesses. SFPI had the authority to take equity stakes in Belgian companies and participate in their management. Regarding capital injections, Book V Part V of the Act of 7 May 1999 established the laws regulating capital increases in Belgian institutions. Article 598 of the Act of May 7, 1999, dictated the share price, stating that price of issuance cannot be less than the average over the course of the thirty preceding days (SFPI 2021; Government of Belgium 1962; Government of Belgium 1999).

Regarding French participation in the capital injections, a decree issued on September 9, 2004, established the French agency responsible for public shareholdings and outlined its powers (Government of France 2004).
4. Administration: French, Belgian, and Luxembourghish authorities drafted the resolution plan and SFPI administered DBB/Belfius.

A coalition of government and central bank officials from Belgium, France, Luxembourg, and the ECB collaborated with Dexia's board of directors to plan and implement the intervention measures (Thomas 2012).

Following the EUR 5.5 billion capital injection, more than 94% of Dexia’s share capital was owned by the governments of Belgium and France. As a result, government officials from these two states were heavily involved in the creation of the orderly resolution plan. Unlike the 2008 negotiations, existing institutional shareholders did not participate in the creation of the orderly resolution plan. Based on this plan, the CEO of the bank was given the mandate solely to oversee the gradual disposal of assets (Dexia 2013; Thomas 2012).

As of 2020, the government owned 100% of Belfius, with its stake administered by SFPI. SFPI also administered the liquidation of Dexia, with a 53% stake as of 2020. A board of directors governs SFPI, with its duties outlined in the Governance Charter (SFPI 2014; SFPI 2021).

A transition committee of representatives from DBB/Belfius, Dexia SA, and the Belgian State managed the implementation of Dexia and Belfius’s separation to ensure operational continuity (SFPI 2012).

5. Governance: The European Commission received half-yearly reports on the restructuring of Dexia; the orderly resolution plan placed Dexia under the oversight of the Prudential Control and Resolution Authority division of the Bank of France and the National Bank of Belgium.

An independent trustee was to submit a half-yearly report to the European Commission detailing the implementation of Dexia’s commitments as laid out by the restructuring plan. The reports were to be submitted before October 1 and April 30 of each year. In the reports of November 30, 2010, April 29, 2011, September 26, 2011, and May 22, 2012, the independent trustee observed several issues regarding Dexia's compliance with existing commitments. The EC opened a formal investigation procedure in response to these complaints (EC 2010a; EC 2013).

Belgium was the consolidated supervisor of Dexia, and a memorandum of understanding backed the supervisory college of Belgium, France, and Luxembourg. Prudential supervision of banks transferred to the National Bank of Belgium (NBB) in early 2011. Accordingly, the December 2012 orderly resolution plan placed Dexia under the supervision of the Prudential Control and Resolution Authority, a division within the Bank of France, and the NBB. This structure was established based on Dexia’s placement as a Less Significant Institution under the single supervisory mechanism (Dexia 2023a; IMF 2014).

As a 100% state-owned bank, Belfius leadership consulted with SFPI periodically concerning company performance and risk management (Belfius 2023b).
6. Communication and Disclosure: Public authorities and Dexia’s leadership communicated confidence in the orderly resolution of Dexia following the liquidity shock caused by the eurozone crisis, emphasizing that there would be no negative impact to financial stability.

On February 8, 2010, Dexia’s CEO held a phone call with investors to discuss the progress of the restructuring plan submitted to the EC the previous year. Within the call, the CEO also mentioned Dexia’s commitment to submit twice-yearly reports to the EC regarding the restructuring plan. At the conclusion of his statement, the CEO said that he was “very confident in our [Dexia’s] capacity to come back to a more normal funding structure, to a profitable business and to a strong development story for our core businesses” (Dexia 2010b, 5).

In its 2011 Annual Report, Dexia’s management reported that it was ahead of schedule on several aspects of the restructuring plan as of June 2011. Faced with the start of the eurozone sovereign debt crisis, French sources stated on October 4, 2011, that they would not be providing further capital for Dexia. However, the Belgian and French states provided further state guarantees on October 5, 2011, to facilitate Dexia’s restructuring, citing the need to protect depositors and creditors. Following the announcement of the guarantee, Belgian and French authorities defended the measures’ impact on European financial stability and the protection of depositors. In particular, French authorities stated that Dexia was an isolated case, entirely separate from other French banks. Authorities announced the full resolution proposal on October 9, 2011, but remained terse on providing details to the press (Agence France-Presse 2011; Dexia 2012; Melvin 2011; Pignal et al. 2011; Vey 2011).

The CEO of Dexia announced the board’s approval of the measures to shareholders on October 10, 2011, citing the importance of the plan as a response to the sovereign debt crisis while making clear that some parts of the deal would be negotiated in later board meetings (Dexia 2011a).

The Dexia board also stated that the government nationalization and separation of DBB was in the “social interest” of Dexia SA as a whole (Local FR 2011). The Belgian Prime Minister called the EUR 4 billion cost “reasonable” and emphasized the government’s intention to eventually re-privatize the bank. The CEO and CFO provided updates on the progress of the resolution measures in a call with shareholders on November 9, 2011 (Dexia 2011d; Local FR 2011).

Dexia’s annual reports provided updates on each year’s progress regarding the restructuring plan and eventually the orderly resolution (Dexia 2009; Dexia 2010a; Dexia 2011c; Dexia 2012; Dexia 2013). Belfius emphasized its intention to reprivatize in its 2016 annual report. Given its large role in Belgian public finance, Belfius leadership intended for as much of its ownership as possible to remain in Belgium. After announcing preparations for a partial IPO in its 2017 annual report, the SFPI delayed the partial re-privatization in 2018, citing volatility in financial markets. The impact of COVID-19 on financial markets further disincentivized the re-privatization of Belfius (Belfius 2017; Blenkinsop 2018; SFPI 2018; SFPI 2019; SFPI 2020).
7. Source and Size of Funding: The governments of Belgium, France, and Luxembourg spent a total of EUR 15 billion in public funds, including EUR 11 billion for the two capitalizations, EUR 4 billion by Belgium to acquire DBB/Belfius, and EUR 70 million by Luxembourg to acquire DBIL.

Belgium and France took majority stakes in Dexia through the EUR 6 billion capital injection provided to the Group in October 2008. Of this total, EUR 5.2 billion was provided by public sources. The rest was provided by quasi-private bodies that were existing shareholders in Dexia SA (Dexia 2009).

The Belgian contribution to the capital injection was divided between different regions and government entities. The Belgian state directly invested EUR 1 billion, with the Flemish Region and Holding Communal SA each contributing EUR 500 million. The Walloon Region and Arcofin SC each contributed EUR 350 million, while the Brussels-Capital Region and Ethias contributed EUR 150 million. This amounted to a Belgian contribution of EUR 3 billion. The EC did not classify the contributions from private firms Ethias, Arcofin, and Caisse Nationale de Prévoyance (CNP) Assurances as State Aid. Ethias had not been nationalized at the time of the capital injection, and the majority of the shareholders for Arcofin and CNP Assurances were private actors. As such, these contributions did not constitute state resources, leading the commission to regard EUR 5.2 billion of the EUR 6 billion capital injection as State Aid (EC 2010a; EC 2010b).

The French State directly invested EUR 1 billion, which was managed by the Agence des Participations de l'Etat. The Caisse des Dépôts et Consignations (CDC) provided EUR 1.71 billion and CNP Assurances provided EUR 228 million, bringing the total French contribution to just under EUR 3 billion. The EC considered the CDC contribution to be State Aid while the CNP Assurances contribution did not constitute State Aid (EC 2008; EC 2010a).

The governments of Belgium, France, and Luxembourg provided a guarantee to Dexia to allow the Group to finance itself throughout the restructuring. In the initial restructuring plan, the restructuring was assessed to cost EUR 8.4 billion. This sum broke down into the costs associated with the capital injection and the sale of FSA (EC 2010a).

The direct costs associated with the orderly resolution plan in 2012 included the capital injection and the guarantee provided to DCL. The capital injection totaled EUR 5.5 billion, with 53% provided by Belgium and 47% provided by France. The guarantee provided to DCL was divided between Belgium (60.5%), France (36.5%), and Luxembourg (3%). These arrived alongside the previous EUR 4 billion Belgian government purchase of Belfius, and the EUR 730 million purchase of DBIL by a Qatari investment firm and the Luxembourgish government (Cleary Gottlieb 2012; Dexia 2011a; EC 2013).
8. Approach to Resolution and Restructuring: Dexia’s leadership developed a transformation plan to deleverage its balance sheet in 2008, but the 2011 sovereign debt crisis forced the Bank to sell its Belgian banking subsidiary to the government in 2011 and enter orderly resolution in 2012.

2008 Recapitalization and Transformation Plan

On November 14, 2008, Dexia officials committed to restructuring the Group’s operations following the provision of a EUR 6 billion capital injection from Belgian and French authorities and existing quasi-private shareholders. Immediately after the capital injection, the first priority of Dexia’s leadership was to limit the Group’s US exposure by selling the insurance activities of FSA. Dexia and Assured Guaranty entered into a sale and purchase agreement on November 14, 2008, and the sale officially took place on July 1, 2009 (Dexia 2009; EC 2010a).

Through the activities of the restructuring plan, Dexia’s leadership aimed to refocus on the Group’s business lines in core markets (Belgium, France, and Luxembourg) while reducing risk and restoring balance to its liquidity profile. The series of measures were intended to reduce the size of Dexia’s balance sheet by 35% by December 31, 2014. In order to separate Dexia’s worst assets from its core business, the company created the Legacy Portfolio Management Division. Included in the Legacy portfolio were EUR 134 billion in bonds, EUR 17.7 billion in non-core public sector loans, and the EUR 15.5 billion Financial Products portfolio. This collection of activities in run-off and bad assets comprised 28% of Dexia’s total balance sheet at year-end 2009 and the EC required that all state guaranteed funding be allocated in full to the Legacy Division. The assets associated with Retail and Commercial Banking, Public and Wholesale Banking, Asset Management, and Group Center, remained in the “Core Division” of the balance sheet (Dexia 2010a; Dexia 2011c; EC 2010a). For a full discussion of the Legacy Division, see Key Design Decision, Treatment of Assets.

2011 purchases of DBB/Belfius and DBIL

The European Sovereign Debt Crisis of 2011 caused an irreparable shock to Dexia’s asset portfolio, largely due to its EUR 22 billion in sovereign debt exposure and EUR 96 billion in short-term financing needs. At year-end 2011, Dexia reported a negative equity position in its 2011 Annual Report. The emergency required authorities to adopt new intervention measures to avoid the systemic risk that would be caused by Dexia’s immediate liquidation (Dexia 2012; Dexia 2013).

On October 7, 2011, Belgian authorities notified the EC that they were nationalizing DBB and separating it from the rest of Dexia. DBB became an autonomous bank wholly owned by the Belgian state, with no ties to Dexia Group. Belgian authorities purchased DBB for EUR 4 billion, resulting in an estimated EUR 3.8 billion loss for Dexia SA. In order to emphasize its full separation from Dexia Group, authorities renamed the bank Belfius on March 1, 2011. Dexia SA reported a net loss of EUR 11.6 billion at year-end 2011 (Belfius 2012; Dexia 2011a; Dexia 2012; EC 2013; Thomas 2012).
After the acquisition of DBB by the Belgian government, Belgian, French, and Luxembourgish authorities provided a joint credit guarantee to DCL in December. Belgium provided 51.4%, France provided 45.6%, and Luxembourg provided 3%. Authorities capped the guarantee at EUR 85 billion, a lower level than the 2008 guarantee, and charged an annual rate of 0.05%. Authorities set the guarantee term at 10 years, although it was renewable by public authorities if necessary 2011 (EC 2008; EC 2013; Thomas 2012).

On October 5, 2012, Cleary Gottlieb announced that Dexia sold DBIL, with a Qatari investment group acquiring 90% and the state of Luxembourg acquiring the remaining 10%. As part of the deal, Dexia provided a EUR 204 million capital injection to DBIL before the split to satisfy the Basel CT1 capital ratio of 9% (Cleary Gottlieb 2012; EC 2013).

**2012 Orderly Resolution Plan**

In March 2012, French, Belgian, and Luxembourgish authorities formally drafted an orderly resolution plan for Dexia and notified the EC. At year-end 2012, Dexia reported a net loss of EUR 2.9 billion, driven largely by the state guarantees, emergency liquidity, and the disposal of certain smaller subsidiaries (Dexia 2013; EC 2013).

For the resolution to be orderly, Belgian and French authorities provided a capital injection of EUR 5.5 billion into Dexia SA in December 2012, which resulted in government control of the firm. Belgium contributed 53% of the capital injection and France contributed 47%. Dexia’s orderly resolution plan received final EC approval on May 31, 2012. Dexia remains in resolution as of the writing of this case study, with EUR 63 billion in assets left on its balance sheet (Dexia 2023a; Dexia 2023c; EC 2013). See Appendix B for the change over time in the size of Dexia’s balance sheet and the book value of the governments’ equity stakes. The Dexia and Belfius balance sheets are shown in Figure 3.
### Figure 3: Simplified Dexia and Belfius Balance Sheets, 2010–2012 (EUR billions)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Dexia (12/31/10)</th>
<th>Liabilities + Equity</th>
<th>Belfius (12/31/11)</th>
<th>Liabilities + Equity</th>
<th>Dexia (12/31/11)</th>
<th>Liabilities + Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to Banks</td>
<td>53</td>
<td>127 Deposits</td>
<td>70 Deposits</td>
<td>92</td>
<td>219</td>
<td>19 Deposits</td>
</tr>
<tr>
<td>Loans to Customers</td>
<td>352</td>
<td>210 Senior Debt</td>
<td>24 Debt Securities</td>
<td>50</td>
<td>106 Senior Debt</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>162</td>
<td>4 Junior Debt</td>
<td>42 Derivatives</td>
<td>35</td>
<td>2 Junior Debt</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>224 Other</td>
<td>55 Other</td>
<td></td>
<td>285 Other</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>565 Total Liabilities</td>
<td>230 Total Liabilities</td>
<td></td>
<td>413 Total Liabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>567 Total L + E</td>
<td>3 Equity</td>
<td></td>
<td>412.7 Total L + E</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Belfius 2012; Belfius 2013; Dexia 2012

9. **Treatment of Creditors and Equity Holders:** Belgium and France held 50% of Dexia’s capital and sought to protect creditors.

**2008 Recapitalization and Transformation Plan**

The initial capital injection into Dexia resulted in approximately 50% of its capital being held by public entities. In 2008, Dexia reported a net loss of EUR 3.3 billion in 2008 and shareholders did not receive a dividend. Belgian, French, and Luxembourgish authorities provided a joint credit guarantee to support Dexia’s ability to refinance itself and cover its liabilities (See Key Design Decision No. 2, Part of a Package) (Dexia 2009).

**2011 Separations and 2012 Orderly Resolution Plan**

Given that Belgium and France held the majority of Dexia’s shares, they provided a further EUR 5.5 billion capital injection to compensate for the massive losses in December 2012. This
effectively nationalized Dexia, with only 4.5% of its capital still floating as of December 2012 (Dexia 2013; EC 2013). The ownership stakes of individual and institutional shareholders reduced from 30% at year-end 2011 to 4% at year-end 2012. This resulted in substantial losses for institutional shareholders ARCO and Holding Communal, forcing both into liquidation (Dexia 2012; Dexia 2013; EC 2013; Thomas 2012).

On October 5, 2011, the French and Belgian finance ministers stated that they would take “all necessary measures” to protect Dexia’s depositors and creditors (Pignal et al. 2011). This included extending the existing guarantee of Dexia’s bond issuances, which allowed the bank to finance itself. The final credit guarantee only explicitly covered new debt issuances by Dexia, up to December 31, 2021. Research did not reveal any evidence of depositor or creditor losses (Dunkley 2011; EC 2013; Pignal et al. 2011).

The original EC decision did not characterize the ARCO contribution to the capital injection as State Aid, however EC authorities investigated this characterization after learning about the guarantee against losses on equity stakes. In a January 2012 hearing before the Belgian House of Representatives, the Minister of Finance stated that he “had not been sure” of the guarantees due to fears that they would not be accepted by the EC. He called the setup of the guarantee a “political compromise” that had been necessary to save Dexia (EC 2013, 64). The investigation found that the ARCO guarantee from losses violated State Aid rules (Court of Justice of the European Union 2016; EC 2013).

10. Treatment of Clients: Clients maintained relationships with their existing institutions as Dexia divested subsidiaries and closed branches.

The clients of DBB moved to the newly created Belfius upon their separation on October 20, 2011. Clients remaining within Dexia and DCL received the assurance of a credit guarantee which ensured Dexia’s ability to fund itself and cover its liabilities. The orderly resolution plan ended all new production and withdrew Dexia SA from markets while Dexia’s management pursued the gradual disposal of assets (Belfius 2012; Dexia 2013; EC 2013).

The municipal lending arm in France notably separated into a different structure in order to ensure continued lending to local French authorities. The resolution plan established a new credit institution to hold existing municipal lending, which was owned by the French state, the Caisse des Dépôts et Consignations (CDC) and the Postal Bank. The plan also created a joint venture (JV), which served as a banking transaction intermediary to provide new loans to French local authorities and public health establishments on behalf of the CDC and Postal Bank. The JV used Dexia Municipal Agency (DMA), now a subsidiary of the newly created credit institution, as a vehicle for refinancing new and existing loans (EC 2013; Pignal et al. 2011).
11. Treatment of Assets: Dexia created a Legacy Portfolio Management Division within which it grouped the worst assets, though the eventual orderly resolution plan called for the gradual disposal of all remaining assets.

As part of the sale of FSA to Assured Guaranty, French and Belgian authorities provided a guarantee on the impaired asset portfolio, which was assessed at EUR 3.2 billion (See Key Design Decision No. 2, Part of a Package) (EC 2013).

In 2009, Dexia created the Legacy Portfolio Management Division (Legacy Division) which contained its portfolios in run off, the Financial Products portfolio not sold to Assured Guaranty, and non-core public sector loans. The portfolio held EUR 167.2 billion in assets which remained on the Group’s balance sheet to benefit from clearly identified and allocated funding. Pursuant to this goal, authorities required that all state-guaranteed funding be allocated to this portfolio. Dexia’s leadership intended to reduce this portfolio to EUR 80 billion by year-end 2014 as part of the overall restructuring goal to reduce the balance sheet by 35%. The rest of the bank became known as the core division (Dexia 2010a; Dexia 2011c).

The orderly resolution process charged Dexia’s management with the disposal of assets as the bank wound down (Dexia 2013). Appendix B shows the progress of Dexia’s asset disposal process from 2012 to 2022.

12. Treatment of Board and Management: The sitting CEO and chairman resigned at the onset of the initial restructuring and the orderly resolution.

Dexia’s CEO and the chairman of the board both resigned following the announcement of the capital injection on September 30, 2008. Former Belgian Prime Minister Jean-Luc Dehaene took over as chairman, and former Sarkozy aide Pierre Mariani took over as CEO (Agence France Presse 2008; Dexia 2009).

Following the creation of the 2012 orderly resolution plan and the second capital injection, the sitting chairman of the board resigned in June 2012 and was immediately replaced. The CEO remained in place to finalize the disposal of DenizBank, the subsidiary in Turkey, before officially resigning in August 2012. The former top executive of Fortis Bank was brought in to manage the orderly resolution of Dexia, namely the disposal of assets that nobody wanted to buy (La Tribune 2012).

13. Cross-border Cooperation: The restructuring involved cooperation among authorities from Belgium, France, and Luxembourg.

The restructuring and eventual resolution of Dexia involved coordination between the governments of Belgium, France, and Luxembourg. Throughout the initial restructuring process, Dexia divested subsidiaries in India, Mexico, Australia, Switzerland, Sweden, Slovenia, and Slovakia (Dexia 2010a; Dexia 2011c; Dexia 2012; Thomas 2012).

After continued depositor runs during the eurozone crisis, authorities from the Belgian, French, and Luxembourgish governments gathered to negotiate Dexia’s resolution (Thomas 2012). Figure 4 displays the participants in the October 2011 negotiations.
Media sources reported price tensions between the Belgian and French governments as well as between Belgium’s federal leaders and regional authorities. These points of contention largely revolved around the breakdown of the capital to be provided to Dexia. Both the French and Belgian authorities aimed to minimize their respective costs related to the resolution of Dexia. The strategic interests of the two differed as well, with the Belgian state looking to promote financial stability and the French looking to preserve a key source of municipal funding. Disagreements between the two states ultimately contributed to the choice of intervention strategy in 2008 (Financial Times 2011; Government of Belgium 2012; IMF 2014).

14. Other Conditions: Dexia committed to broad limitations on its growth and acquisitions as part of the original restructuring plan and submitted to the conditions of the orderly resolution plan.

In its 2009 annual report, Dexia reported several restrictions that its leadership agreed to as part of the restructuring plan. Dexia agreed not to acquire more than 5% of the capital in a credit institution, investment company, or insurance company without receiving permission from the EC. The European Commission also required that Dexia’s leadership receive authorization from the EC before paying coupons on subordinated debt and hybrid capital instruments. This restriction applied to all issuances made before February 1, 2010, and was intended to last until December 31, 2011. Dexia also suspended dividends, and the EC dictated that Dexia may only pay dividends in the form of new common shares until December 31, 2011. All discretionary payments involving dividends or coupons were limited based on the criteria that after the payment(s), Dexia’s CT1 ratio adhered to or exceeded the following metrics (Dexia 2010a; EC 2010a):

- Core Tier 1 ratio of 10.6% as at December 31, 2010, decreasing each year to 10.2% as at December 31, 2014
- The sum of 12.5% of the weighted risks of the Legacy Division and 9.5% of the weighted risks of the other business lines

Upon commencing orderly resolution amid the eurozone crisis, Dexia accepted a different set of restrictions on its activities. Specifically, Dexia was required to comply with the EC in terms of its timetable for disposing assets, as well as adhering to a cap on financing and restrictions on handling of DCL’s sensitive loan portfolio (EC 2013).
Belfius committed to only carry out transactions necessary to carry out customer orders or to help Belfius perform liquidity or asset and liability management. Belgium agreed to an advertising ban and a ceiling on growth which limited the production of new loans by Belfius. Belfius also agreed to a ban on dividend payments and a ban on coupon payments for instruments issued by DBB/Belfius before October 20, 2011. Finally, Belfius agreed to not acquire any stake in any enterprises, excluding private equity business. As a check on moral hazard, Belfius committed to caps on wages and remuneration, limiting severances in particular to the legal minimum. These conditions lasted until year-end 2014 (Duprey 2017; EC 2013).

15. **Duration:** Dexia entered orderly resolution in 2012 and remains in orderly resolution as of the writing of this case study, while Belfius is a fully functioning state-owned bank.

The Eurozone Sovereign Debt Crisis of 2011 delivered a fatal shock to Dexia, forcing the bank to sell DBB/Belfius and DBIL in 2011 and enter orderly resolution in 2012. After an extended process of drafting the orderly resolution, the plan came into force on December 28, 2012. Dexia remains a bank in orderly resolution as of the writing of this case study, and the Group is 99.6% owned by the French and Belgian states. As of year-end 2022, Dexia has EUR 64.3 billion worth of assets on its balance sheet. The wind down of the balance sheet and value of equity are shown in Appendix B. In July 2023, Dexia applied for the withdrawal of its banking license to continue the orderly wind down as a nonbank (Dexia 2012; Dexia 2013; Dexia 2023a; Dexia 2023b; Dexia 2023c; EC 2013).

Following its sale on October 5, 2012, DBIL was renamed Banque Internationale à Luxembourg. The Luxembourg state owns 10% of BIL as of the writing of this case study (BIL 2023; Cleary Gottlieb 2012).

After separating from Dexia, Belfius operated as a nationalized bank. The bank remains owned by the Belgian state as of the writing of this case study. The government originally stated its intention to reprivatize Belfius, emphasizing its intention to stay local by seeking Belgian investment. SFPI stated its preparations for a partial IPO in its 2017 annual report, however they delayed a proposed plan to float 30% of Belfius shares in 2018. The 2018 SFPI annual report stated that the delay was due to volatility in financial markets at the start of the year. As of year-end 2022, Belfius is a healthy, systemically important bank with a book value of EUR 11.1 billion (Belfius 2023a; Belfius 2023b; Blenkinsop 2018; ECB 2023; SFPI 2019; Smith 2018).
References and Key Program Documents

Summary of Program


Implementation Documents


Legal/Regulatory Guidance


Belgian law concerning the operations of companies and financial institutions. 
http://elischolar.library.yale.edu/ypfs-documents2/2565

Law, in French, establishing the French agency for public share participation. 
https://ypfs.som.yale.edu/node/24331

Charter outlining the governance principles of SFPI (in French). 
http://elischolar.library.yale.edu/ypfs-documents2/2603

Media Stories

Media article announcing the resignations of Dexia’s board chairman and CEO. 
http://elischolar.library.yale.edu/ypfs-documents2/2562

News article discussing the defense of the Dexia intervention measures by French authorities. 
https://ypfs.som.yale.edu/node/24456/

News article reporting the postponement of the partial privatization of Belfius. 
https://ypfs.som.yale.edu/node/24468/

News article reporting Dexia’s comments on the government intervention. 
http://elischolar.library.yale.edu/ypfs-documents2/2560

News article reporting the commitment by France and Belgium to guarantee the finances of Dexia. 
https://ypfs.som.yale.edu/node/24458/

News article comparing the situation of Dexia to that of Fortis. 
https://ypfs.som.yale.edu/node/24459/
Belgium, France, Luxembourg: Dexia Group Restructuring

News article reporting on the struggles of FSA, a subsidiary of Dexia. 
https://ypfs.som.yale.edu/node/24460/

August 3, 2012. 
News article reporting changes to the leadership of Dexia (in French). 
https://ypfs.som.yale.edu/node/24478/

October 10, 2011. 
News article discussing the intervention into Dexia in response to the Eurozone crisis. 
https://ypfs.som.yale.edu/node/24475/

Reuters, July 1, 2009. 
News article reporting the sale of FSA by Dexia. 
https://ypfs.som.yale.edu/node/24466/

Associated Press, October 9, 2011. 
News article reporting on the announcement of a resolution plan for Dexia. 
https://ypfs.som.yale.edu/node/24463/

News article discussing the implications of Dexia’s forced resolution. 
https://ypfs.som.yale.edu/node/24464/

Financial Times, October 5, 2011. 
News article discussing the state support measures from France and Belgium for Dexia. 
https://ypfs.som.yale.edu/node/24465/

News article discussing a 2018 Belfius debt issuance. 
https://ypfs.som.yale.edu/node/24469/

Reuters, October 4, 2011. 
News article reporting that there were no capital injection measures being negotiated for Dexia. 
https://ypfs.som.yale.edu/node/24467/
*News article reporting on the capital injection into Dexia.*
http://elischolar.library.yale.edu/ypfs-documents2/2564

**Press Releases/Announcements**

*Press release announcing the sale of Dexia Banque Internationale à Luxembourg (DBIL) to a Qatari led consortium and Luxembourg.*
https://ypfs.som.yale.edu/node/24345

*Press release announcing the EU ruling on the Belgian guarantee of shareholder losses.*
https://ypfs.som.yale.edu/node/24344

*Press release announcing further resolution measures for Dexia.*
https://ypfs.som.yale.edu/node/2519

*Press release announcing Dexia’s application for withdrawal of banking licenses.*
https://ypfs.som.yale.edu/node/24343

*Press release announcing the EC’s approval of Dexia’s restructuring plan.*
http://elischolar.library.yale.edu/ypfs-documents2/2557

**Reports/Assessments**

*Belfius annual report for the year 2011.*
http://elischolar.library.yale.edu/ypfs-documents2/2590

*Belfius annual report for the year 2012.*
https://elischolar.library.yale.edu/ypfs-documents2/2589/
Belgium, France, Luxembourg: Dexia Group Restructuring

*Belfius annual report for the year 2016.*
https://ypfs.som.yale.edu/node/24340

*Belfius annual report for the year 2022.*
https://ypfs.som.yale.edu/node/24338

*Dexia annual report for the year 2008.*
http://elischolar.library.yale.edu/ypfs-documents2/2581

*Dexia annual report for the year 2009.*
http://elischolar.library.yale.edu/ypfs-documents2/2580

*Dexia annual report for the year 2010.*
http://elischolar.library.yale.edu/ypfs-documents2/2579

*Dexia annual report for the year 2011.*
http://elischolar.library.yale.edu/ypfs-documents2/2577

*Dexia annual report for the year 2012.*
http://elischolar.library.yale.edu/ypfs-documents2/2576

*Dexia annual report for the year 2014.*
https://ypfs.som.yale.edu/node/24487/

*Dexia annual report for the year 2015.*
https://ypfs.som.yale.edu/node/24488/

*Dexia annual report for the year 2016.*
https://ypfs.som.yale.edu/node/24489/

*Dexia annual report for the year 2017.*
https://ypfs.som.yale.edu/node/24490/

*Dexia annual report for the year 2018.*
https://ypfs.som.yale.edu/node/24491/
SFPI annual report for the year 2019.
https://ypfs.som.yale.edu/node/24346

SFPI annual report for the year 2020.
https://ypfs.som.yale.edu/node/24470/

Key Academic Papers

*Book discussing the impact of the GFC on regulation and supervision of the European Financial Industry.*
http://elischolar.library.yale.edu/ypfs-documents2/2586

*Article discussing the capital injection and initial restructuring plan for Dexia.*
http://elischolar.library.yale.edu/ypfs-documents2/2556

*Article discussing Dexia’s 2010–2011 struggles despite its strong capital ratio.*
https://ypfs.som.yale.edu/node/24480/

*Book chapter detailing the Belgian response to the GFC.*
https://ypfs.som.yale.edu/node/24483/

*YPFS case study examining the ad hoc capital injection provided to Dexia SA in 2008.*

*Policy paper discussing cross border supervision and resolution frameworks.*
https://ypfs.som.yale.edu/node/23330

YPFS case study of France’s recapitalization program.


*Book chapter discussing the various tools used by government officials to respond to banking crises.*
https://ypfs.som.yale.edu/node/24486/


YPFS case study describing the Belgian credit guarantee scheme launched in response to the Global Financial Crisis.
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol2/iss3/31/


Survey of YPFS case studies examining 21st-century bank resolutions and restructurings in Europe before and after the existence of the Bank Recovery and Resolution Directive.
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol6/iss1/1


*Book, in French, documenting the growth and eventual downfall of Dexia SA.*
https://ypfs.som.yale.edu/node/24484/


*Book, in French, discussing the failure of Dexia and the lessons to be drawn from it.*
https://ypfs.som.yale.edu/node/24485/


*Article discussing the operations of and eventual state intervention into Dexia.*
http://elischolar.library.yale.edu/ypfs-documents2/2594


*Case study describing the resolution of Dexia Group.*
https://elischolar.library.yale.edu/journal-of-financial-crisis/vol1/iss3/10
Belgium, France, Luxembourg: Dexia Group Restructuring

Other


Appendixes

Appendix A: The FSA Guarantee

The Financial Products (FP) portfolio was excluded from the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty (AG). FP consisted of a collection of deposits from third parties, which FSA provided a certain return under the terms of a guaranteed investment contract (GIC). FSA then reinvested these funds in securities with a higher yield, generating a positive net profit margin. The GICs were concluded by FSA’s subsidiaries (GIC Companies), which in turn lend the proceeds to a company within the group called FSA Asset Management (FSAM). FSAM was a portfolio of assets intended to meet the repayment obligations towards counterparties of the GICs (EC 2010a, 12). The portfolio largely comprised of securities linked to the US real estate sector whose values declined sharply during the GFC.

FSA de facto guaranteed the assets and liabilities of FP, meaning that Dexia needed to guarantee these activities when the portfolio was excluded from the sale to Assured Guaranty. Given the potential scale of this obligation, the guarantee provided to Dexia by the Belgian and French states was a prerequisite for the sale of FSA.

The Belgian and French guarantee allowed Dexia to offer a put option to FSAM, which would provide liquidity in the event of various default scenarios. Under the put agreement, FSAM would be entitled to sell certain assets to Dexia SA and/or DCL at their value as of September 30, 2008, in order to fulfill obligations pursuant to the GICs.
### Appendix B: Size of Dexia Balance Sheet over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Size of Balance Sheet</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>EUR 357 billion</td>
<td>EUR 2.8 billion</td>
</tr>
<tr>
<td>2013</td>
<td>EUR 223 billion</td>
<td>EUR 3.9 billion</td>
</tr>
<tr>
<td>2014</td>
<td>EUR 247 billion</td>
<td>EUR 3.1 billion</td>
</tr>
<tr>
<td>2015</td>
<td>EUR 230 billion</td>
<td>EUR 4.5 billion</td>
</tr>
<tr>
<td>2016</td>
<td>EUR 213 billion</td>
<td>EUR 4.6 billion</td>
</tr>
<tr>
<td>2017</td>
<td>EUR 181 billion</td>
<td>EUR 5.4 billion</td>
</tr>
<tr>
<td>2018</td>
<td>EUR 159 billion</td>
<td>EUR 7.8 billion</td>
</tr>
<tr>
<td>2019</td>
<td>EUR 120 billion</td>
<td>EUR 7.3 billion</td>
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<tr>
<td>2020</td>
<td>EUR 114 billion</td>
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</tr>
<tr>
<td>2021</td>
<td>EUR 99 billion</td>
<td>EUR 5.6 billion</td>
</tr>
<tr>
<td>2022</td>
<td>EUR 64 billion</td>
<td>EUR 5.8 billion</td>
</tr>
</tbody>
</table>

*Sources: Dexia Annual Reports 2012–2022.*