Dexia Group - Company Profile, Information, Business Description, History, Background Information on Dexia Group

7 à 11 quai Andre Citroën
BP 1002
F-75901 Paris Cedex 15
France

Company Perspectives:

A European organization and mission: Under the management of a French-Belgian executive committee, Dexia has a board of directors on which five nationalities are represented. The bank's strategy aims to benefit fully from the creation of the single currency by being the European leader in businesses in which its reputation is already established and which all have strong growth potential.

History of Dexia Group

Dexia Group is one of the first and largest pan-European banks and a fast-growing bank with global ambitions. With headquarters in Brussels, Dexia is the product of a 1996 merger between that country's Crédit Communal de Belgique (CCB, also known as Gemeentebank) and Crédit Local de France; and includes Banque Internationale de Luxembourg (BIL), the operations of Dutch investment banks Kemper and Labouchere, Belgium's Artesia, and, since August 2000, the United States' Financial Security Assurance (FSA). Dexia is also reportedly negotiating a merger agreement with a major Japanese bank in order to expand its presence in the Asian market. One of Europe's 20 largest banks, Dexia has made a particular specialty of municipal lending, holding 90 percent of the Belgium market and 42 percent of the French market—along with a leading share of the U.S. market through FSA—to become the largest municipal lender in Europe. The company also offers retail financial services in the Benelux market, notably through CCB's 1,000-strong branch network, and investment management services, such as private banking, asset management and investment fund administration. This latter division also includes Dexia's shareholding in online banking venture Zebank. Dexia, quoted on the Euronext Paris, Brussels, and Luxembourg stock exchanges, is led by CEO Pierre Richard and Chairman François Narmon. The company's assets totaled more than EUR 257 billion in 2000, generating a net banking income of EUR 3.76 billion.

Funding European Infrastructure in the 19th Century

Dexia traces its history back to the early 19th century through founding banks Crédit Communal de Belgique (CCB) and especially Crédit Local de France (CLF). The French municipal lending institution had been created as part of the Caisse des Dépôts et Consignations (CDC). The CDC had been formed in 1816, with the restoration of the French monarchy and the need to provide funding and financial management assistance for institutions and government bodies. Part of the CDC's mandate was to manage retirement funds for France's body of civil servants. The CDC also acted as holder of escrow accounts.

The CDC began its municipal lending activity in 1822, when it provided an equity loan to the Port of Dunkerque. In 1837, the CDC was given a new national stature when France's parliament decided to join the Caisse d'Epargne (savings bank), which had been created in 1818, to the CDC. By then, the Caisse d'Epargne had grown to a network of more than 100 branches across France. With access to these funds, the CDC's role as funding agency for France's infrastructure (/knowledge/Infrastructure.html) projects began in earnest. The CDC was to play an important part in financing many of the country's large-scale projects, such as the construction of the Midi, Orléans, Somme, and Loing canals, the building of the country's dense system of roadways, as well as its railway, public utility, telephone, and water systems.

Starting in the 1850s, the CDC was given charge of the country's first retirement pension fund. In 1878, the CDC was mandated to provide funding for the expansion of the French national public school system, particularly in financing the construction of primary schools, and later junior high and high schools, throughout the country's smaller towns and villages. By the end of the century, the CDC was also playing an active role in addressing France's chronically inadequate housing supply, participating in the creation of the Société Française d'Habitation à Bon Marché (SFHBM, or French Low-Priced Housing Society). Laws promulgated in 1912, which created the first French low-cost housing projects, called HLMs, mandated the CDC as the lending authority for all HLM developments. The CDC's municipal lending wing finished the 19th century under the title of Caisse d'Equipement des Collectivités Locales, before becoming Crédit Local de France.

In Belgium, a banking body similar to CDC had been founded in 1860. That bank, called Crédit Communal de Belgique (CCB, and known as Gemeentebank in the Flemish-speaking areas of Beligum) came into being as an interest-paying savings bank that used its customers' savings in order to provide loans to local governments for their infrastructure and other projects. The CCB gained still more prominence after World War I, as communities turned to the bank to help in the rebuilding effort. Similar assistance was needed following World War II. Soon after the end of that war, the CCB began opening branch offices, expanding beyond public works funding into private and corporate banking (/knowledge/Commercial_bank.html) activities. By the end of the 20th century, the CCB operated more than 1,000 branch offices. Like the CDC, the CCB remained government-owned before being privatized in the mid-1990s.

Another important member of the future Dexia family was formed in 1856, with the creation of the Banque International à Luxembourg (BIL). One of the first of the young duchy's banks, and given the right to issue banknotes, the BIL initially turned its investment activities to Germany—the two countries had long been united in the Zollverein custom union, while Luxembourg shared the German mark as its own currency. Yet the collapse of the German economy following World War I left BIL reeling as well. In

1918, Luxembourg left the Zollverein in favor of a new customs treaty with Belgium—and later formed the Benelux economic unit with the Netherlands. BIL played a prominent role in the development of Luxembourg as a financial capital, and helped in establishing the Luxembourg stock exchange in 1929.

Nazi occupation of Luxembourg ended BIL's activity for the duration. Following the war, BIL became one of the engines for the development of Luxembourg's high-powered economy, backing the formation of a number of notable Luxembourg businesses, such as Luxair in 1948, Société Electrique de l'Our in 1951, and the CLT in 1955. In 1977, BIL grew with the acquisition of Banque Lambert Luxembourg; BIL now had a market capitalization of more than LuxFr 1 billion. By the early 1980s, BIL acquired new majority owners, in the form of Belgium's Banque Lambert and Pargesa.

Creating a European Superbank for the 21st Century

The approach of full European economic union—beginning with the Maastricht treaty of 1992 and culminating with the launch of the euro at the end of the decade—signaled the start of a new era of European banking. The CCB's own international expansion began in 1990, when the company set up the Cregem International Bank in Luxembourg, specializing in assets management. A year later, CCB began buying up a position in BIL, taking full control in 1999.

In France, meanwhile, the CDC had split into two parts, spinning off its municipal lending body as Crédit Local de France (CLF) in 1987. CLF started independent activity as a small bank, with just 200 employees and revenues of just FFr 3.5 billion per year (then worth less than $500 million). Placed at the head of the CLF, however, was Pierre Richard, who led the government-owned bank into the private arena in 1993, and then became the architect of the bank's growth.

Already in 1993, Pierre Richard and his counterpart at CCB, François Narmon, had begun discussing the possibility of cross-border banking mergers in the new Europe. As yet no legislation had been provided to create such mergers, however, and any possible unions were fraught with difficulties, ranging from distinct domestic cultures to differing tax and accounting laws. The CCB began looking for a partner within Belgium.

Nonetheless, Pierre Richard continued to press discussions linking the CLF and the CCB. A merger was seen as particularly attractive given that CCB had captured 90 percent of Belgium's municipal lending market, while CLF accounted for more than 40 percent of that market in France. As Richard told *Time International:* "We were convinced that with the creation of the euro zone, European business conditions would be turned upside down and that it would be necessary for a company to have a European vision and identity."

Narmon came to agree with Richard's assessment of the European banking industry's future. In 1996, the two companies announced the formation of a new company as an umbrella for their merger. Yet because of the difficulties in creating a "European" company, the two banks maintained their domestic operations, linking through a complex shareholding exchange. The bridging name became Dexia, while the company continued to operate under two holding companies, Dexia Belgium and Dexia France—with each company maintaining its former headquarters, management, and staff. Richard was named Dexia's CEO, while Narmon became chairman.

Starting out, the new company showed its intention of becoming one of Europe's superbanks, while continuing to focus on its specialty areas of municipal lending, private banking, and assets management, the latter led especially through BIL, which shortly became a full subsidiary, changing its name to Dexia Banque de Luxembourg. Following a quickly aborted plan to take over French bank CIL, Dexia began a series of acquisitions to boost its position in other EC member countries.

The first of these was the acquisition of 40 percent of Italy's Crediop, a municipal lending and public project financing specialist, made in 1997. A year later, Dexia took majority control of that bank when it acquired 20 percent more from San Paolo-IMI, paying more than $1 billion. At the same time, Dexia acquired 55 percent of France's Ifax, a insurance (/knowledge/Insurance.html) provider to local governments. In 1999, the bank increased its insurance activity again, acquiring Elvia Assurances, based in Belgium.

The year 1999 marked the turning point for Dexia. In October, the bank announced a unification plan by which Dexia Belgium would acquire Dexia France's shares. Two months later, the bank announced the formation of a single holding company for all of the bank's operations, called Dexia, with headquarters in Brussels and listings on the Brussels, Luxembourg, and Paris stock exchanges. By the end of that year, Dexia's revenues had topped the FFr 20 billion mark.

Dexia continued to show an aggressive appetite for acquisitions. In March 2000 the company announced two new purchases. Paying nearly EUR 900 million, Dexia acquired Labouchere, a private banking and assets management specialist based in the Netherlands and formerly owned by Aegon (/knowledge/Aegon.html) NV. At the same time, Dexia implanted itself in the United States, paying $2.6 billion to acquire Financial Security Assurance (FSA), the leading municipal lending and public projects financing specialist to that market.

A capital increase in June 2000, raising EUR 2.3 billion, enabled Dexia to continue its acquisition drive into the new century. In March 2001, the company paid EUR 3.2 billion for Belgian banker Artesia Banking Corp. At the same time, the company launched a EUR 1.05 billion cash offer for the Netherlands' merchant bank Kempen, which was then grouped under Dexia's Labouchere subsidiary. The company also bought a stake—including control of two-thirds of voting rights—in Tel Aviv bank Otzar Hashilton Hamekomi, and then prepared to make a new acquisition in the Czech Republic.

By mid-2001, Dexia was prepared to take a breather, having by then spent more than EUR 9 billion acquiring a major position in the European banking industry—and a leading spot in its municipal lending niche. Yet Dexia was far from finished with its expansion, setting its sights on further development throughout Europe, particularly in the United Kingdom. Dexia also acknowledged that it was in talks with a Japanese bank in order to establish its operations in that important financial market. Meanwhile, the bank had launched itself onto the Internet, acquiring a strong interest in online bank Zebank. In just a few years, Dexia had raised itself to the status of superbank—and one of a few truly European companies.

Principal Subsidiaries: Assureco; AUSBIL Partners (Australia); Banque Internationale a Luxembourg; CLF Lease Services; Crédit Associatif; Crédit Communal de Belgique; Crédit Local de France; Dexia Asset Management Luxembourg; Dexia Banco Local (Spain); Dexia Banque Privee France; Dexia Hypothekenbank Berlin; Dexia Kommunbank (Sweden); Dexia Municipal Bank (U.K.); Dexia Project & Public Finance International Bank; Dexia Belgium; Dexia France; Editions Local de France; Experta-BIL (Switzerland); Financial Security Assurance Holdings (U.S.A.); Flobail; Floral; Labouchere (Netherlands); Mega (Belgium); Mega Life (Belgium); Mega Life Lux (Luxembourg); Quadra Invest (Belgium); Rekord (Germany); Societé Monegasque de Banque Privee (Monaco).

Principal Competitors: ABN AMRO (/knowledge/ABN_AMRO.html) Holding N.V.; AXA (/knowledge/AXA.html); Banca Nazionale del Lavoro (/knowledge/Banca_Nazionale_del_Lavoro.html) S.p.A.; BNP Paribas (/knowledge/BNP_Paribas.html) Group; Crédit Commercial de France SA; Crédit Lyonnais; Credit Suisse Group; Caisse Nationale de Crédit Agricole; DePfa Deutsche Pfandbrief Bank AG; Deutsche Bank AG; IntesaBci S.p.A.; KBC Bank and Insurance Holding Company NV; Natexis Banques Populaires; UniCredito Italiano (/knowledge/Italian_language.html) S.p.A.

Chronology

- **Key Dates:**
- **1816:** Caisse des Dépôts et Consignations (CDC) is formed.
- **1818:** Caisse d'Epargne is created.
- **1837:** CDC takes over Caisse d'Epargne and assumes role as funding agency for France's major infrastructure projects.
- **1856:** Banque Internationale de Luxembourg (BIL) is launched.
- **1860:** Crédit Communal de Belgique (CCB, or Gemeentebank) is formed.
- **1987:** CDC spins off its municipal lending body, Crédit Local de France (CLF).
- **1990:** CCB creates Cregem International Bank.
- **1991:** CCB acquires stake in BIL.
- **1993:** CLF becomes private company.
- **1996:** CCB and CLF announce merger to form dual Dexia companies.
- **1997:** Dexia acquires 40 percent of Crediop (Italy).
- **1998:** Company raises Crediop stake to 60 percent.
- **1999:** Dexia becomes a single company, acquires full control of BIL.

Additional Details

- **Public Company**
- **Incorporated:** 1996
- **Employees:** 17,112
- **Total Assets:** EUR 257 billion (2000)
- **Stock Exchanges:** Euronext Paris Brussels Luxembourg
- **Ticker Symbol:** DX
- **NAIC:** 551111 Offices of Bank Holding Companies; 523110 Investment Banking and Securities Dealing; 522120 Savings Institutions; 522210 Credit Card Issuing; 522110 Commercial Banking; 522293 International Trade Financing

Further Reference

Adler, Leslie, "Dexia to Merge Parent Companies," *Reuters*, September 19, 1999.Brafman, Nathalie, "Pierre Richard: le banquier de choc qu'on n'attendait pas," *L'Expansion*, April 27, 2000.Mallet, Victor, and Raphael (/knowledge/Raphael.html) Minder, "Dexia Looks to Expand Outside Europe," *Financial Times*, June 20, 2001.Patton, Susannah, "Making the Euro Work: Banking on Change, Dexia Forges a New Identity As a Truly European Company," *Time International*, December 10, 1998, p. 154.

User Contributions:

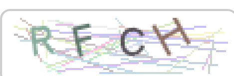
Comment about this article, ask questions, or add new information about this topic:

Name:

E-mail:

Show my email publicly

Type the code shown:



Public Comment: (50-4000 characters)

Send comment

Dexia Group forum (/forum/)