Dexia

Annual results 2016

23/02/2017 – Presentation to the press

DEXIA

Annual results 2016

A highly volatile financial environment

- Political uncertainty (Brexit, US election, Italian referendum) resulting in highly volatile market conditions
- End of year marked by a progressive stabilisation of market conditions
- Monetary policies:
  - Upturn in US interests rates
  - ECB's accommodative policy extended

Volatile credit spreads, especially on peripheral sovereigns

Decrease in interest rates over the 3 first quarters, followed by a rise in Q4

Impacts for Dexia

- Highly volatile cash collateral, peaking at EUR 38.3 billion in Q3 and reaching EUR 32.7 billion at the end of the year
- Slight deterioration of the AFS reserve by EUR -0.3 billion, to EUR -5.7 billion
- Positive contribution of accounting volatility elements to the 2016 results (EUR +90 million), with significant variations quarter on quarter

Data as at 31 December 2016

Annual results 2016

Further implementation of the Group’s resolution based on three strategic objectives

Active policy aimed at reinforcing the Group’s structure

Prudent liquidity management and shift in funding mix

- Shift in funding mix due to a reduction of Central Bank funding
- Confirmation of market appetite for State Guaranteed funding
- Liquidity buffer of EUR 18.2 billion

Implementation of capital relief measures

- Targeted sale of assets allowing reduction of AFS reserve and reduction of risk-weighted assets
- Sale of holdings directly deducted from regulatory capital

Focus on operational continuity

- Merger between Dexia Sabadell and Dexia Crédit Local and transfer of securities management onto DCL platforms
- Launch of a reflection on adapting the operating model

“*The positive results for 2016 have improved the Group’s solvency, an important element within the context of the year 2017. However, this result cannot be extrapolated for the future, since these are the figures of a bank in resolution, which remains particularly sensitive to the volatility of the macroeconomic situation. In 2017, we should remain attentive to the evolution of the cost base and continue with our measures to improve solvency. At the same time, we should get on with enhancing the management of our operational risk, stemming from a complex and occasionally outdated infrastructure. The Group’s resolution, in difficult circumstances, is only possible with the full commitment of our 1,083 staff members, and I thank them for that.*”

Wouter Devriendt, CEO

Data as at 31 December 2016

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Evolution of governance and expansion of the Management Board to six members

Renewed governance

Following the departure of Karel De Boeck, Pierre Vergnes and Claude Piret, appointment of Wouter Devriendt as CEO, Véronique Hugues as CFO and Guy Cools as Head of Assets

Expansion of the Management Board to six members with the appointment of Aline Bec as COO, considering the importance of this function for the Group's operational continuity and transformation

The governance of Dexia and Dexia Crédit Local being unified, the members of Dexia's Management Board are also member of Dexia Crédit Local's Management Board

“ *Driven by a renewed and enlarged governance, the Group adopted an active policy enabling it to adapt its structure to the challenge represented by the management of an entity in resolution in a volatile environment and ever changing regulatory framework. It is important to follow a prudent and proactive management and to continue the transformation already undertaken, which is vital to Dexia's successful resolution.* ”

Robert de Metz, Chairman of the Board of Directors

Other highlights

Dexia no longer exposed to Heta Asset Resolution

- Exchange of securities issued by Heta Asset Resolution against securities 90% guaranteed by the Austrian State; sale on the market of all securities received by Dexia in the framework of that exchange
- Positive impact in cost of risk (EUR 136 million)

Strong reduction of sensitive structured loans in France

- Outstanding sensitive structured loans of EUR 651 million at year-end (-33% compared to the end of 2015)
- Implementation of support funds resulting in a decrease in litigation (51 cases in December 2016 vs. 147 in December 2015)

Data as at 31 December 2016

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Net income Group share of EUR +353 million

Recurring result

+142 M€

- Positive impact of the implementation of the agreement on Heta Asset Resolution in an amount of EUR 139 million
- Active management of the situation related to negative interests resulting in a gain of EUR 144 million

Accounting volatility

+90 M€

- Favourable evolution of the financial environment, despite the severe volatility observed during the year

Non-recurring elements

+122 M€

- Gain on the disposal of the CBX Tower in La Défense (EUR 50 million before taxes)
- Gain derived from active balance-sheet management (EUR 55 million)

Data as at 31 December 2016

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Key figures

Reduction of the balance sheet total

212.8 Bn€

-17.5 Bn€
vs. 31/12/2015

- Reduction of asset portfolios under the effect of natural amortisation and asset disposals

Solvency ratios above regulatory requirements[1]

16.2%

vs. 15.9% on 31/12/2015

- Net profit for the year and capital relief measures offsetting the 60% deduction of the sovereign and non-sovereign AFS reserve
- Solvency remaining a matter for attention in 2017, considering the sensitivity of the Group to exogenous parameters (mainly credit spreads)

Outstanding of guaranteed debt

71.4 Bn€

vs. 61 Bn€ as at 31/12/2015

- Evolution of the funding mix marked by the reduction of onerous ECB funding
- Prudent liquidity management to face potential deteriorations of market conditions

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[1] "Common Equity Tier 1" ratio of 8% minimum excluding conservation buffer and 8,625% including conservation buffer (Pillar 2 of Basel III)

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