Dexia

Annual results 2018

26 February 2019 – Presentation to the press

DEXIA

Annual results 2018

Active management of the Group's resolution process

Downsizing the Group's geographical footprint

- Signing of a SPA with Helaba concerning the sale of **Dexia Kommunalbank Deutschland**; balance sheet reduction of 15% at closing (expected in 2Q 2019)
- Sale of the 58.9% participation in **Dexia Israel Bank**, which completes the mandatory divestment process of the Group's commercial franchises
- Closure of the **Dexia branch in Lisbon**
- Closure of the **Dexia branch in Madrid** to be completed by end-March 2019

Reduction of balance sheet and risks

- **Balance sheet total down by -14%** (or EUR -24.9 bn), at EUR 158.8 bn, mainly driven by the reduction of commercial assets (EUR -14 bn)
- Reduction of risks: exposures on **Puerto Rico reduced to a marginal amount**, increased provisioning of Chicago Board of Education, **deleveraging of heavily provisioned files**

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Active management of the Group’s resolution process

Securing the operational model

- Further implementation of the outsourcing agreement with Cognizant and **transfer of back office teams to Cognizant** on 1 May
- Signature of a second agreement with Cognizant for the renewal and management of the Group’s **IT system infrastructure**

“In line with the efforts engaged in 2017 for the simplification of the Group and the reduction of commercial portfolios, in 2018, we have pursued our objective of reducing the Group's balance sheet, risks and geographical footprint. After selling our Israel subsidiary and closing our Lisbon branch, we signed an agreement last December to sell our German subsidiary. This sale is an important step in the Group’s orderly resolution. It will facilitate the continuation of the resolution and reduce Dexia's balance sheet by an additional 15%, beyond the 14% reduction achieved in 2018 The teams are doing a remarkable job in managing this complex resolution and I thank them for their unwavering commitment.”

Wouter Devriendt, CEO

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Active management of the Group’s resolution process

Convergence towards the general regulatory framework

- Decision ECB on 16 July 2018: **non-renewal of the specific approach to supervision applied to Dexia** as from 2019
- **Dexia to meet all regulatory requirements applicable to banking institutions** supervised by ECB

Strengthening of prudential requirements in 2019

- **Total SREP requirement set at 11% for Dexia and its subsidiaries,** including minimum own funds requirement of 8% and additional own fund requirement of 3%
- **Capital conservation buffer of 2.5%** and **countercyclical buffer estimated at 0.35%**, taking own fund requirements to 13,85%
- Pillar 2 capital guidance of 1%

“Throughout 2018, we continued to implement our strategic roadmap, whilst working on convergence towards the general supervisory framework requested by the European Central Bank and compliance with prudential requirements, which have been further strengthened in 2019. The year's achievements are remarkable. In addition to the dynamic management of the Group's risks, balance sheet and liquidity, we are constantly working to develop our Group into a more centralised and agile structure. „

Gilles Denoyel, Chairman of the Board of Directors

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Impact of taxes and contributions, positive cost of risk

Net income group Share: EUR -473 m

Recurring result

-210 m €

- Net banking income at EUR 45 m, down over the year as a result of the reduction of the asset portfolio, the sale of Dexia Israel and the lengthening of funding maturities
- **EUR -88 m of regulatory taxes and contributions**
- Positive cost of risk at EUR 128 m[1]

Accounting volatility

-144 m €

- Accounting volatility reflecting the impact of exogenous parameters in the valuation of derivatives
- Unfavorable FVA effect consecutive to a revision of the calculation methodology
- Negative evolution of CVA as a result of the widening of credit spreads, mainly on banking counterparties

Non-recurring elements

-119 m €

- EUR -108 m of losses associated with **active balance-sheet management**
- Net impact of provisions for litigation (EUR -26 m)
- DKD's contribution to the Group's result (EUR +23 m)
- Provisions for restructuring costs (EUR -9 m)
- Impact of the sale of Dexia Israel (EUR +8 m)

(1) Positive CoR due to reversals of provisions following the sale of exposures (Puerto Rico) and the repayment of a receivable in Bulgaria, as well as the revaluation of provisions on some exposures, in particular the Portuguese sovereign, partially offset by the provisioning of the Chicago Board of Education exposure

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Key figures

Balance sheet

EUR 158.8 bn

-24.9 bn
vs. 31 Dec. 2017

- 14% decrease, due to a dynamic strategy to reduce asset portfolios, combined to natural amortization
- Impact of the sale of Dexia Israel (EUR -2 bn)
- Improvement of the macro-economic environment
- Additional 15% decrease (EUR -24 bn) after closing of the sale of DKD (expected in 2Q 2019)

Solvency

27.3%*

vs. 20.4%
as at 31 Dec. 2017

- Impact of first-time application of IFRS 9 (Total capital ratio up by 5.1% as at 1 January 2019)
- Impact of negative net result for the year
- Reduction of risk-weighted assets linked to the decrease of asset portfolios

Guaranteed debt

EUR 69.1 bn**

EUR 35.5 bn	EUR 31.5 bn	EUR 2.1 bn

(*) Total Capital Ratio
(**) as at 15 January 2019

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