Dexia

Annual results 2017

01/03/2018 – Presentation to the press

DEXIA

Annual results 2017

Active management to secure implementation of the orderly resolution plan (1/2)

Reducing the Group footprint

- 15% reduction (EUR -31.8 billion) of the balance sheet total in 2017: total assets at EUR 181 billion end 2017
- Dynamic strategy to reduce the asset porfolio:
  EUR 9.9 bilion of asset disposals and EUR 1.0 billion of early redemptions
- Targeted sales of risky assets (exposures related to the Commonwealth of Puerto Rico) and heavily weighted assets (ABS and subordinated bank exposures)

Optimisation of funding sources

- Significant reduction of the funding volume
- Optimisation of funding mix towards less costly funding sources in a context marked by abundant liquidity
- No recourse to Eurosystem funding

“In 2017, the Group focused on simplifying and strengthening its financial structure. Market circumstances were favourable and we took advantage of that to optimise funding sources but also to accelerate the reduction of our asset portfolios and to reduce risk and complexity. That acceleration was reflected by a 15% reduction of the balance sheet, now at EUR 181 billion, and had a positive impact on our equity. The teams continue their remarkable work of managing this complex resolution, and I thank them for it. „

Wouter Devriendt, CEO

Annual results 2017

Active management to secure implementation of the orderly resolution plan (2/2)

Adapting the operating model over the long term

- Implementation of a more solid and efficient operating model , adapted to the requirements of a structure in resolution
- Signature of an agreement to outsource IT and back office activities in France and Belgium with the service company Cognizant

Plan to convert preference shares

- Conversion into ordinary shares of the preference shares subscribed in 2012 by the Belgian and French States for an amount of EUR 5.5 billion
- Issuance of *Contigent Liquidation Rights* (CLR) granted to the Belgian and French States

"In 2017 Dexia continued in its efforts to adapt the Group's operating model and to increase its resilience. The signature with Cognizant of an agreement to outsource our IT and back office activities in France and Belgium, established an operating model which will be more solid and more efficient over the long term. Moreover, the conversion of preference shares into ordinary shares, approved by the shareholders' meeting held on 7 December 2017, was a key achievement for the further resolution of the Group."

Robert de Metz, Chairman of the Board of Directors

Annual results 2017

Favorable evolution of exogenous factors, amplifying the impact of management actions

Interest rates

- Progressive increase of interest rates over 2017, despite a slight downturn at year-end in the euro area

Exchange rates

- Strengthening of the euro vs. other main currencies, in particular during the first half-year

Credit spreads

- Spread tightening in 2017, particularly on Portuguese and Italian sovereigns
- Strong volatility in the first half-year, in the context of French elections

Impacts for Dexia

(Dec. 2017 vs. Dec. 2016)

Decrease of the net cash collateral posted	**EUR -6.2 bn**
Balance sheet reduction	**EUR -31.8 bn** *(-15%)*
Improvement of the AFS reserve	**EUR +1.4 bn**

Net income Group share

EUR -462 m

- Significant weight of taxes and regulatory contributions, in an amount of EUR -89 million over the year 2017
- Positive impact of the cost of risk, at EUR +33 million, resulting from reversals of provisions, in particular on assets disposed of, despite an increase of the provisioning on the residual exposure to Puerto Rico
- EUR -114 million adjustment of accounting hedge relations, in particular to take account of the impact of asset disposals
- Negative contribution of accounting volatility elements (EUR -64 million) and non-recurring elements (EUR -96 million)

Annual results 2017

Key figures

Balance sheet

EUR 180.9 bn

vs. -31.8 bn
as at 31 Dec. 2016

- Strong decrease, due to a dynamic strategy to reduce asset portfolios and credit risk, combined to natural amortization
- Impact of exogenous elements (exchange and interest rates)

Solvency

20.4%*

vs. 16.8%
as at 31 Dec. 2016

- Impact of negative net result for the financial year
- Strong reduction of risk-weighted assets linked to the decrease of asset portfolios
- Positive impact of exogenous market parameters (mainly exchange rates and credit spreads)

Guaranteed debt

EUR 67.6 bn

EUR 34.8 bn **EUR 30.8 bn** **EUR 2.0 bn**

* Total Capital Rattio

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