Dexia

Half-year results 2017

31/08/2017 – Presentation to the press

DEXIA

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

Voluntary policy aiming at securing the resolution path

Adapting the operational model over the long term

- Entry into exclusive talk with Cognizant, with a view to outsourcing IT and back office operations in France and Belgium
- Implementation of a more effective and resilient operating model
- Development of a new strategy for Dexia Israel after the signature of an agreement ending the litigation involving Dexia in Israel

Reducing the Group's footprint

- Active management of the balance sheet with EUR 3.0 bn of assets sold and EUR 0.5 bn of early redemptions
- Sale of risky assets: financing of motorways in Spain and the remaining outstanding on the city of Athens

“The evolution of macroeconomic elements over the half-year had a positive impact for the Group amplifying the effect of actions undertaken both to reduce the size of the balance sheet, now below EUR 200 billion, and to increase the level of regulatory capital. We took advantage of this globally favourable market environment to proceed with targeted asset sales. This dynamic management enabled the Group's funding cost to be reduced, despite uncertain market conditions associated with the French electoral calendar. The half-year was also marked by the entry into exclusive negotiations with Cognizant with a view to outsourcing IT and back office activities, an important stage in the definition and implementation of a more effective and resilient operating model for Dexia over the long term.”

Wouter Devriendt, CEO

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

Voluntary policy aiming at securing the resolution path

Managing liquidity in a still volatile environment

- Shift in funding mix towards market funding; marginal contribution of Eurosystem funding as at the end of June 2017 (EUR 90 m)
- Liquidity buffer of EUR 21.2 bn as at the end of June 2017

Preserving solvency through capital relief measures

- Targeted sale of assets allowing reduction of risk-weighted assets

“The Group’s recourse to central bank funding is now marginal, as Dexia has gradually replaced it by market funding over the last 18 months. This enables the Bank to meet one of the main objectives of its orderly resolution plan, by reducing the risk carried by the Eurosystem. It marks a particularly important stage in the Group’s resolution, whilst the European Central Bank announced that wind-down entities would no longer have access to the Eurosystem as from January 2022. ”

Robert de Metz, Chairman of the Board of Directors

Half-year results 2017

Favourable impact of exogenous parameters amplifying the effect of actions undertaken

Interest rates

- Rise of interest rates in euro, with the announcement of monetary policy tightening

Exchange rates

- Economic slow down in the US, combined with accelerating economic growth in the euro area resulting in a strengthening of the euro

Credit spreads

- Uncertainty due to the electoral agenda in the Netherlands and in France, resulting in a sovereign spread widening until May
- Spread tightening after May, considering the electoral results as positive

Impacts for Dexia

(June 2017 vs. Dec. 2016)

Reduction of net cash collateral	EUR -3.0 bn
Decrease of Balance sheet	EUR -13.4 bn
Improvement of AFS reserve	EUR +1.0 bn

Half-year results 2017

Analytical split of the result

Net Income Group share: EUR -296 m

Recurring income

EUR -171 m

- EUR -85 m of banking taxes and regulatory contributions due for 2017 and booked as in Q1 2017 (IFRIC 21)
- EUR -89 m additional provisioning on public entities related to the Commonwealth of Puerto Rico

Accounting volatility

EUR -80 m

- Unfavourable evolution of market parameters

Non-recurring items

EUR -46 m

- Gain derived from active balance-sheet management (EUR +12 m)
- Negative impact of unwinding of accounting hedging relationships on exposures to Puerto Rico, with a view to selling them (EUR-52m)

Half-year results 2017
Key figures

Balance sheet

EUR 199.4 bn
EUR -13.4 bn
vs. 31/12/2016

- Trend mainly driven by the reduction of asset portfolios under the effect of natural amortisation and asset disposals
- Impact of exogenous elements (exchange and interest rates)

Solvency

18.0%
vs. 16.6%
on 31/12/2016

- Decrease in RWAs offsetting the impact of the phased-in deduction of the AFS reserve
- Solvency remaining sensitive to exogenous market parameters (mainly credit spreads)

Guaranteed debt

EUR 70.5 bn

€ 36.3 bn	**€ 32.2 bn**	**€ 2.1 bn**

Data as at 30 June 2017

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