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Conference Call Transcript

DEXB.BR - Q1 2009 Dexia Earnings Conference Call

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PRESENTATION

Operator

Good afternoon ladies and gentlemen, and welcome to Dexia's 1Q 2009 results conference call hosted by Pierre Mariani, CEO. (Operator Instructions). I am now handing you over to Pierre Mariani, CEO, to begin today's conference. Thank you.

Pierre Mariani - Dexia - CEO

Good morning everybody. I'm here with Philippe Rucheton, the CFO of the company, and I would like first of all to apologize for this delay but we had a technical problem which prevented us to join on the proper channel.

And second, I would like maybe to insist on just on the timing of this presentation, because we have the shareholder meeting that will begin at at 2 o'clock, this afternoon, so I will have to leave at 1.30 max to join the shareholder meeting which is always a sensitive issue in this environment.

Now, I'm here to present the results of the first quarter and I propose that I will make a short introduction on these results and then to leave some room to a Q&A session that will be as intense as usual. And I'm happy to comment on these results because they are very encouraging after the last 2008 turmoil that had a huge impact on our company.

These results, which are positive results of EUR251m for the first quarter shows both that the choices that we've made last October on the refocus of the Group, on the transformation plans are appropriate, and also that all the company is now completely on line in the execution in terms of quality of the execution and in timing of this execution.

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What I would like to insist on, as a main feature of these results, is clearly to show that first of all, the first quarter results show the resiliency of Dexia in a very challenging environment. Of course, the first quarter was characterized by two elements.

First of all, we didn't experience any major one-off shocks like the one we suffered during the second half of 2008, but in the meantime, we don't talk about a normalized situation.

Equity markets have been very volatile during this first quarter, very negative. The spreads widened and then recovered slightly at the end of the quarter, so a very difficult financial environment. And the financial crisis took its toll on our company in the first quarter, with an impact of more than EUR400m.

Notwithstanding all these elements, we were able to generate positive net income of EUR250m, thanks to a number of very strong elements, first of all, the resilience of the Wholesale Banking activity business. We announced in last November that we would refocus this activity on our core markets. That's a done job.

First of all, the production has been low because the loan demand has been low during this quarter and there is a timing effect particularly in this area. This is an area where the demand is concentrated on the second half of the year, but also a strong refocus on our core markets of Belgium, France, Luxembourg and various other European countries that represent now more than 90% of the new production.

The second one is the resilience of the revenues. The incomes were still up significantly from the first quarter last year, thanks to two elements. We have of course the impact of the growth of the loan portfolio during the first half of 2008, and also because the last significant portion of these revenues came from the fact that some liquidity lines in the US were drawn during the quarter, and generated a significant amount of new revenue.

The third one, this is a profitable business, and even if we've done a lot of efforts to reflect in the results of this business line, the true commercial activity with no relation to the Portfolio Management business, and we have redefined also the transfer prices to reflect an appropriate cost of funding for this activity, we have generated the revenues that is significantly higher, a net income that is significantly higher than the last quarter.

The second characteristic of this business is also the strong commercial performance of the Retail Banking activities. The performance has been good in terms of new deposit collection. The deposits are up. We have collected in the quarter more than EUR3.5b of cash. They are up compared to last December and they are of course significantly over the level of deposits we had before the beginning of the crisis.

The result of the Retail Banking piece of our businesses is up by 13%, which is a very good performance, and in this area, like in the Public Finance piece, we had a significant improvement of our operating results and performance, with a strong improvement on our cost income ratio.

And I announced also previously in some of my comments, the quarter was a bit more challenging in terms of evolution of all the activities that are related to market -- to the market activities, mainly Asset Management, Investor Services, Private Banking and Insurance.

All these businesses of course have suffered during the quarter. Two of them are slightly positive, but we had a huge impact on the Insurance business of the situation of the equity markets that led to an impairment of our equity portfolio in the Insurance company of more than EUR200m in the first quarter.

On the other side, the impact of the market turmoil was also very sensitive in terms of evolution of assets under management in the Asset Management business, but also of the assets under administration in the Investor Services business.

I would like to insist on one characteristic of our activities in the quarter. First of all, it proves overall the very good quality of our assets. On the total of our assets, it's EUR636b. A large portion of it is concentrated in the Public Finance alone.

We have only EUR49b of retail and commercial loans, and the portfolio itself, which amounts to EUR157b is still very resilient. The portfolio in run-off has no impairments in the first quarter. It's still 99% investment grade, and even on the RCB loans, and in the Public Finance loans, the cost of risk has been very low in the first quarter. We had a limited increase of impaired loans to customers in the first quarter. We had also a risk charge limited to only 11 basis points in the first quarter.

This is of course an evolution which is contrasted between the different locations and businesses, with visible [UV] and also Public Finance business with a very low cost of risk of 3 basis points, really comparable to what it was in the past. And in the retail piece of the Group, the cost

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of risk is increasing, of course, due to the macro-economic environment. But is really under control, and significantly lower than the rest of the competition in this area.

I think this characteristic will certainly be one element that will differentiate Dexia with our main competitors in the future, and that is very useful in this macro-economic recession environment.

A few elements also have to be mentioned. The first one is that we are now approaching the closing of the sale of FSA. We are still expecting the last opinion of the rating agencies on the file, on the merger.

We are also finalizing the legal documentation, and these works are on track for the middle of next week, and then upon completion of those steps, Assured will have the maximum 45 day period to raise the funds before closing the transaction, and really we expect this transaction to be closed before the end of the second quarter.

This is a major step, of course, of the improvement of the risk profile of the company. I will not increase too much on that. I will answer your questions if anyone here has a question on that, but I will insist also on two elements.

The first one is clearly to say that in terms of cost control we've done huge efforts to put this situation under control, and the cost base has been significantly decreased, as we announced, and we are on track to finalize a EUR200m saving in 2009.

We are also in the process of defining the next steps of this cost saving program, and as an overall result, and it's also important to mention that thanks also to the profit we have had, and also the strict control on the evolution of the risk weighted assets of the Group, we are able to maintain and to slightly improve our solvency ratio at the end of the quarter, with a Tier 1 ratio of 10.7% and a core Tier 1 ratio of 9.8%.

This shows clearly the fact that Dexia is now back on track. We have worked a lot, and very hard on the liquidity aspects of our situation. I will comment on that further on if you -- if needed, but we've been able to raise more than EUR20b of medium-term and long-term financing in the first quarter.

We've been able to increase our cost base. We've been able to decrease our overall portfolio by more than EUR15b over the quarter, and I think it's very important to show a good step in this direction because it's a key element of our future.

The second element, of course, is the macro-economic environment, it will certainly put ahead of us a number of challenges in terms of evolution of cost of risk. Even as this matter is concerned, I think Dexia will be able to manage this situation much better than most of our competitors, even on the Belgian market. I'm very happy now, with Philippe Rucheton, to answer your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). And the first question comes from the line of Brice Vandamme from Deutsche Bank. Please go ahead, sir.

Brice Vandamme - Deutsche Bank - Analyst

Good morning. Brice Vandamme from Deutsche Bank. First, congratulations for this good set of results. I have actually a few questions. The first one is on this impact you mentioned of high margin liquidity line in the US. Perhaps could you give us more details about what it represents in Q1, and do you think it is a sustainable impact going forward?

My second question is, could you perhaps give us more details on to what extent have you benefited from the improvement of the yield curve in Q1, and what kind of sensibility you have to a potential deterioration of this yield curve?

My third question is related to the impairment in the Insurance activity. If I understand well, it's mainly driven by equity markets, so I just wanted to know if, going forward, we have to anticipate some positive impacts due to the improvements in equity markets in Q2 so far.

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Another question perhaps on restructuring costs. Could you update us on what you expect for the rest of the year in terms of restructuring costs? And last question, can you explain to us why you have such high outflows in asset management? If I'm not wrong, it represents roughly 6% of your assets under management in one quarter. It's quite a high figure. Thank you.

Pierre Mariani - Dexia - CEO

We'll try to comment together on all these aspects. Forgive me if I am not able to remember all of them, but I'm sure that you will ask the question again.

Brice Vandamme - Deutsche Bank - Analyst

Oh sure, sure.

Pierre Mariani - Dexia - CEO

First of all, I think it's worth insisting on the liquidity lines in the US. You know that we have the activity that we call SBPA, so it's liquidity lines that have been given in the past, and these lines have one positive aspect and one negative aspect.

Let's begin with the negative one. It had huge consequences in the third quarter and fourth quarter of 2008 in terms of liquidity because a lot of these lines were drawn in the fourth quarter. And unfortunately it even accelerated, the liquidity crisis, in the half of the turmoil before the Lehman collapse. It's a direct consequence of the Lehman collapse, by the way.

And the good news, or the good aspect of this situation is that they were very highly priced, and so generated a lot of revenue, and certainly we are assisting now on the regressive reversal of this situation. First of all, the amount of lines drawn have dramatically gone down during the first quarter and the beginning of the second quarter, so it had a huge positive impact in terms of improving our profit -- our liquidity in dollar presently.

But it shows also that this level of revenue is not sustainable, and that's the good news also. But it has a positive impact of nearly EUR40m in the first quarter. That certainly will not be recurrent at this level during the rest of the year. Do I answer the second question?

Brice Vandamme - Deutsche Bank - Analyst

(Inaudible).

Pierre Mariani - Dexia - CEO

Second, the details on the benefit. Of course we have the benefit of the yield curve in the first quarter. We are close to neutral in terms of evolution of the interest rate on one side, and of course, we have -- the steepening of the yield curve has a very positive impact, and we can cite the stronger consequence of this improvement in the results of the treasury. That generated a strong contribution to our results in the first quarter.

So I think it's clearly a strong improvement, and we don't expect also in the near future a strong correction, or a strong reduction of this steep yield curve.

The third one, impairment in Insurance. I think we have decreased the overall type of the portfolio, so the part of this, of the impairment we have taken, has now turned into losses, effective losses, taken through P&L, which will not be reversed. But also we have some part of the portfolio, and some part of the impairments taken into account that will be reversed if the present situation is still alive at the end of the second quarter.

Third one, as you have seen, we have taken a moderate restructuring charge in the first quarter. Of course, the definitive amount for the rest of the year will depend on the profile of the cost reductions we make for 2010.

Last question, why do we have so high outflows in the assets under management? I think it comes from two elements. First of all, the market impact, that had an impact on the valuation. But also, and that's a common feature on many branch networks, particularly in Belgium, it's the fact

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that there is a clear choice that has been made also in the first quarter in favor of the balance sheet resources rather than out of balance sheet resources, and also the customers themselves have gone out of all the equity funds and prefer much simpler products, and among the much simpler products, of course, the deposit accounts or term accounts that seem to them simpler to understand, with less embedded risk and with better remuneration, and so that explains a large part of the outflows in the first quarter.

Brice Vandamme - Deutsche Bank - Analyst

Thank you, that's very useful.

Operator

Thank you. And the next question comes from the line of Christophe Ricetti from Natixis. Please go ahead.

Christophe Ricetti - Natixis - Analyst

Hi, good afternoon. I have several questions. The first one, in your press release, you are mentioning a kind of stabilization of commercial margins in the Public Finance area. Is this something we can work on for the next few quarters? Do you think it is sustainable in the future?

The second question I have is linked to the new reporting that you have within the Group. We do not have a Treasury and Financial markets dividend, but we have a very big Group Center in terms of contribution with the specialist tranche of Treasury results. Are you comfortable with that kind of breakdown of net profits per division with this new reporting format?

And the third question, where do you stand in terms of restructuring the international Public Finance network, in terms of closing the branches and so on? Thank you.

Pierre Mariani - Dexia - CEO

I will answer some of your questions, and I will also give the floor to Philippe Rucheton for some elements. In terms of PWB I think what we have experienced in this quarter are three elements. First of all, we have been able to raise significantly the spread on loans on the new business done, and that's very important also, because it shows it's very important for the long-term sustainability of the business.

The second element, the cost of risk remains very low.

The third element, and the third characteristic of new business, it's a very low capital consumption. So is this margin sustainable? It depends of course on the level of refinancing of the overall portfolio at the end of the day. What we observed today: that from the margins point of view, the new business is financed with an overall cost of funding split -- combining long-term and short-term funding. That allows positive margins on most of this new risk.

So that's what we can say, but as you are probably aware, the first quarter in terms of production and level of production is not always meaningful, because most of the demand is concentrated on the second half of the year, corresponding to the cyclical process of the local entities. But we'll have -- so we'll have a clear view from that point of view later.

And in terms of reporting of the Group's center, the Group center reports three categories of activity. The first one is the FSA Insurance business, so a large part of the very huge numbers this quarter is linked to the figures of the Insurance business of FSA, that will disappear at the end of the third quarter.

And I think it's also important to put in the same basket, I should say, those treasury and the portfolio financing activities. And clearly, I think it's important that the run-off portfolio is clearly separated from the businesses and to have a clear view of what is really the commercial and the financial performance of our main business lines.

Christophe Ricetti - Natixis - Analyst

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And (multiple speakers) --

Pierre Mariani - Dexia - CEO

Last question, sorry, on the international network. So we are in the process of restructuring part of it. We have reduced the size of the number of places this network. In terms of people, I think the reduction target for 2009 is 250 people, close to 250 people. And we have achieved already 140 people FTE reduction during the first quarter.

Christophe Ricetti - Natixis - Analyst

Okay. Thank you.

Operator

Thank you. And the next question comes from the line of Guillaume Tiberghien from Credit Suisse Securities. Please go ahead, sir.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Yes, hi. I've got a question largely related to the corporate center. You indicated - I think it was on Bloomberg, I haven't seen it in the press release - that the cost of the guarantee by the state for the EUR90b would be about EUR500m or EUR600m. And I just want to understand how much of that is already in Q1 numbers. So if I take a quarter of EUR500m, do you have already EUR125m as a negative revenue in the corporate center?

And the second point is on the FSA guarantee. I think the cost of the guarantee you highlight is \$90m for H2 '09, so will that come as a negative revenue in the corporate center?

And the third point on the corporate center -- or I guess to the other divisions as well, relates to the funding cost of the Group as a whole. How can we assess how your net interest margin will drop in the coming 10 or 12 quarters? Because on the one hand you've got the state guarantee, but on the other hand obviously the maturity of past bonds might damage your margin? Thank you.

Pierre Mariani - Dexia - CEO

I think in terms of cost of the guarantee during the first quarter, I think we've mentioned the figure somewhere in the presentation. It's close to EUR80m in the first quarter. And it's not within the corporate center, because you -- you know the long-term need it's split between -- proportionally to the needs, the long-term financing need generated by the different business lines. So it's mainly related to the bond activity, the bond portfolio on one side and to the PWB on the other side. So the cost of the guarantee is mainly splitted between these two businesses, because the other businesses, and particularly the retail banking activities, are immune from that due to their deposit base.

Operator

Thank you. And the next question comes from the line --

Guillaume Tiberghien - Credit Suisse Securities - Analyst

No, no, no.

Pierre Mariani - Dexia - CEO

No, no, no. We have two other questions --

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Operator

I do beg your pardon.

Unidentified Company Representative

(Inaudible).

Operator

Please go ahead.

Philippe Rucheton - Dexia - CFO

The part of the cost of guarantee which is allocated to the bond portfolio is also in the corporate center, but that's a bit more than half of the EUR80m of the cost, which is significantly lower than the EUR500m for the full year. But don't forget that, for part of the quarter, the cost of the guarantee was only 25 basis points. It's now 50 basis points. So overall, we can expect that we will have an increase of the cost of guarantee all over the year.

The FSA FP, this negative revenue will be definitely in the Group center. It will be part of the global performance of this run-off portfolio. The financial products portfolio is now an additional run-off portfolio on top of the bond.

Pierre Mariani - Dexia - CEO

Yes, just a comment on that. The cost of the guarantee of the FP portfolio, to be really clear, doesn't -- is not cumulated with the overall estimation of EUR500m to EUR600m for the entire year.

Philippe Rucheton - Dexia - CFO

Totally, and the cost will remain in the column. You have seen that we have split the corporate center with something dedicated to the run-off portfolio. It will be part of that.

Net interest margin expected to drop in the next quarters. It's not that obvious. We have right now a very low cost, or the interest rates are very low for the very short term, and this is actually something which is beneficiary to the treasury result. So I -- we don't expect, these days, to have a drop in the net interest margin in the near future.

Knowing that, we are still relying on the guarantee of the state. Even if we have increased the -- and Pierre was mentioning the EUR21b of issues that we have done on medium term, of course, it's more expensive in terms of cost of guarantee, but nevertheless it doesn't weight so much globally. So once again, net interest margin, no drop expected in the next quarters.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Thank you.

Operator

Thank you. The next question comes from the line of Pierre Flabbee from Kepler Equities. Please go ahead, sir.

Pierre Flabbee - Kepler Equities - Analyst

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Okay. Good afternoon. Three short questions. First, could you indicate, just regarding the run-off bond portfolio, which amount of sales you have proceeded in the end of the first quarter?

My second question is could we have an update on your monoline exposures, especially the ones which are not related to FSA? And last point, any chance that some of legacy assets could be eligible to some form of the Geitner Plan in the US?

Philippe Rucheton - Dexia - CFO

The run-off portfolio, so I think we put in the document that we sold actually EUR5b since the last quarter of 2008. It's a bit less than EUR2b in the first quarter of 2009, this without any significant impact on the P&L. And we are reviewing, day after day, all opportunities we can have to sell part of this portfolio, knowing that the strengthening of the spreads is something which helps to reduce this portfolio.

Of course, this amount contributes as well as the natural amortization of the portfolio, which globally is expected to be in the magnitude of between 13 -- around EUR13b for the full year. It's a bit depending on the assessment or the assumption you make about the amortization of some of the securities. We have no fixed termination date.

In terms of monoline exposures, we have globally an amount of EUR53b of monoline, but out of which EUR35b is Assured or insured by Assured and FSA. Otherwise, our exposures are on the other monolines, but with no one above EUR4b. And the risks which are insured are: half of them are on public sector, a quarter on corporate and project finance and a quarter on the ABS portfolio. And this exposure is the one which has been the basis of the provision that we passed on the monolines. And as you might have seen, we have increased by more than EUR100m this quarter, so pushing up to a total of EUR600m of global provision on the monoline exposures.

Pierre Flabbee - Kepler Equities - Analyst

Okay. Just any views on the opportunity related to the Geitner Plan?

Pierre Mariani - Dexia - CEO

No, I don't think so.

Pierre Flabbee - Kepler Equities - Analyst

Okay. Thank you.

Operator

Thank you. And the next question comes from the line of Ivan Lathouders from ESN Banque Degroof. Please go ahead.

Ivan Lathouders - ESN Banque Degroof - Analyst

Good afternoon. I've got a simple question. This morning, you've published gains and losses not recognized in P&L to the amount of EUR14.3b. Could you tell us how much that amount would have been if you had not used the IAS39 amendment?

Philippe Rucheton - Dexia - CFO

We did publish this number at the time when we did the reclassification. It's not a number that we are disclosing on a, I would say, recurring basis.

Ivan Lathouders - ESN Banque Degroof - Analyst

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Okay. I think the last figure you've published is EUR1.3b, so I'll be assuming that it's more or less the same, or even increased. Thank you.

Pierre Mariani - Dexia - CEO

No comment.

Operator

Thank you. The next question comes from the line of Kiri Vijayarajah from Citigroup. Please go ahead.

Kiri Vijayarajah - Citigroup - Analyst

Yes, good afternoon. Just a quick question on slide 30. The RWAs seem to have been relatively stable, but I wonder if you could quantify the impact of rating migration on the RWAs in the first quarter. And also, what's your outlook for further rating migrations for the remainder of the year?

Philippe Rucheton - Dexia - CFO

Yes. Because as you have seen, the risk-weighted assets are roughly flat, even if the global portfolio has decreased, which is the result of two various impacts. And the impacts which push up the risk-weighted assets are the rating migration for roughly EUR2b and we have also the foreign exchange of US dollars. But nevertheless, thanks to the decrease of the nominal value of the exposures, we have a stabilized and even slightly reducing amount of risk-weighted assets linked to credit risk.

Pierre Mariani - Dexia - CEO

So globally, I think we say that the impact is clearly EUR1.5b in terms of rating migration, but it's very widely compensated by the reduction -- the decrease of the portfolio on one side and really moderate in terms of all other evolution in the portfolio. So we don't expect, except if there is a major shock in a certain area of the portfolio, a very strong impact on this factor. And the overall quality of the portfolio is still very strong. We are still with a portfolio which is at 99% investment grade.

Kiri Vijayarajah - Citigroup - Analyst

Okay. Thank you.

Operator

Thank you. The next question comes from the line of Maxence Le Gouvello from Morgan Stanley. Please go ahead.

Maxence Le Gouvello - Morgan Stanley - Analyst

Yes, good morning, everyone. A quick question. I haven't seen that much detail regarding the trends in the retail activities, with the exception of slide 39 which just mentioning that apparently the revenues in Belgium are down when the ones in Turkey are up. Can you give a little bit more color in terms of revenue trend, the drivers of those revenues and the cost base?

Philippe Rucheton - Dexia - CFO

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So -- yes. As you know, one of the contributors to the retail banking is Turkey. Turkey, our subsidiary there has done -- has performed quite well and had the highest ever quarter in its history. And it contributed to roughly TRL100m, i.e. EUR45m, to the net result and this is an increase of roughly EUR15b versus last year. And this is linked to the growth of nearly all the components of the P&L.

If I turn to Belgium, Belgium was performing as well with, as we have seen, something which is good in terms of deposits, which is not that satisfactory in terms of non-interest revenues, because the fees that -- which were received from the asset management or the insurance business in Belgium have gone slightly down. On the other hand, the margins, the interest margin, were quite satisfactory. And for the time being, we have this growth of the assets and of the liabilities which are the main driver of the sustainability of the revenues of Dexia Bank in Belgium. The liabilities so -- are going up and it's still the same pattern.

If we turn to the Luxembourg, the customer assets are we are roughly at the same level. We just have EUR1b less in Q1 versus Q4 in the deposits of BIL, because mostly of term deposits, so not without a significant impact on the net interest margin. And I think these are the main contributors, because, as you know now, retail banking, it's mostly Luxembourg, Belgium and Turkey. Slovakia has no real weight.

Maxence Le Gouvello - Morgan Stanley - Analyst

Okay. And we have seen an adjustment on the cost of risk in Turkey compared to Q4. Can you give us a little bit more color of -- on both sides, Belgium and Turkey, which kind of default we have? It's more individuals, or you have a massive run up of the SMEs?

Pierre Mariani - Dexia - CEO

Yes. You have, of course, in the presentation the different aspects and the split of the evolution of the cost of risk on the main areas of our portfolio, from the retail piece of Belgium on one side and the cost of risk in Turkey. The cost of risk in Turkey is 227 basis points. It's still, a strong evolution over the month, less than in the fourth quarter because we anticipated, largely, the evolution of the cost of risk.

The main areas of concern overall are, first of all small business and SME and credit card. But I think, in terms of overall evolution, DenizBank is still performing better than the rest of the Turkish banks. And what is very positive, in my view, is, thanks to the policy conducted by the Central Bank, we've observed in the first quarter a very dramatic increase of the commercial margins thanks to two elements. First of all, the decrease of the intervention rate of the Turkish Central Bank, on one side, and also the very positive carry with the securities, which are overall, for the entire banking system, a significant proportion of the assets.

We have reduced dramatically the corporate portfolio in the fourth quarter. That helps us, also. And so the level of margin today definitely helps us to absorb the cost -- the increase of cost of risk. But we have still with an overall NPL in proportion of 3.1% in Turkey compared to 2.5% at the end of 2008.

Maxence Le Gouvello - Morgan Stanley - Analyst

Okay. Many thanks.

Operator

Thank you. And the next question is a follow-on question from the line of Guillaume Tiberghien from Credit Suisse Securities. Please go ahead, sir.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Yes. The question just relates to the provisions in the corporate center. Can you just give us a little bit more breakdown as to exactly how they are built, these -- I think it's EUR335m in total? Thank you.

Pierre Mariani - Dexia - CEO

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The big part of that is the insurance business of FSA. It's more than EUR217m on that.

Philippe Rucheton - Dexia - CFO

It's important to understand that, for accounting purposes, we had to consolidate at the line of insurance banking income cost and cost of risk the FSA insurance business, but with no impact at the bottom line. And so, this pollutes the whole accounts and this pollution is at the RBE and cost of risk and it's EUR217m which are fully related to FSA.

Now, in the corporate center, what you have, it's the adjustment on the FSA sale, which is EUR96m, and you have also the monolines, which are actually booked in the portfolio. So these are the main items of the negative so-called crisis items in the corporate center.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Excuse me, excuse me. If I exclude the impact of the crisis, you still have EUR286m. So the EUR286m is just the FSA business and the disposal of FSA, is that correct?

Philippe Rucheton - Dexia - CFO

Yes.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

So we should expect zero of provisions in the future.

Philippe Rucheton - Dexia - CFO

Yes, unless there will be some further impairments of the financial products.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Sure.

Philippe Rucheton - Dexia - CFO

We have posted EUR35m in the first quarter 2009 and assuming that there is no further impairments, which could be the case if I look at the last statistics we have in terms of the default and NPLs. Something which is important to know is the fact that the amount of cash that we have not received during Q1 2009 on the financial products is only \$1m. So for the time being, we have no further impairments ahead in the current market conditions.

Guillaume Tiberghien - Credit Suisse Securities - Analyst

Okay. Thank you.

Operator

Thank you. And the next question comes from the line of Bentchikou from Oddo Securities. Please go ahead.

Scander Bentchikou - Oddo Securities - Analyst

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Hello, everybody. Scander Bentchikou from Oddo. I have a couple of questions. The first one is just a confirmation I'd like to have regarding the cost of the state asset and liquidity guarantee. You've stated that it has been EUR80m in Q1, it has been broken down between all the business lines, but it is supposed to go up by the end of the year. Am I correct?

Philippe Rucheton - Dexia - CFO

So it's EUR80m.

Scander Bentchikou - Oddo Securities - Analyst

EUR80m, yes, EUR80m.

Philippe Rucheton - Dexia - CFO

EUR80m.

Scander Bentchikou - Oddo Securities - Analyst

Okay. Then, I was wondering -- I didn't find the breakdown of risk-weighted assets between business lines. We usually get it in the activity report. Will you disclose those data?

Pierre Mariani - Dexia - CEO

I thought it was in the presentation, but -- 52. Slide 52.

Scander Bentchikou - Oddo Securities - Analyst

It's slide 52. Okay. Thank you. Thank you. Then, I have a question regarding the AFS reserve. I was wondering if you could disclose a breakdown of the negative contribution, but as far as the unfrozen AFS reserve is concerned. I mean, there is a EUR6.2b underwater position. From those EUR6.2b, how much comes from the muni bond, the credit spread portfolio and the GICs? It would help us to try to assess what could be the potential recovery of the AFS reserve.

Philippe Rucheton - Dexia - CFO

As you know, after the reclassification, we have now something like EUR14b which were in AFS, part of them being mark to model, part of them being mark to market. The evolution of the AFS reserve is something which, for me, is really not significant. So we do have of course the breakdown between the various lines, but it's something which is really to take with a lot of cautiousness-- it's very conspicuous to look at that. And by the way, I can tell you that, already, with the strengthening of the spreads that we have known since April 1, the AFS reserve will have swung back to a level of the end of year, if not better.

The breakdown between CSP and so on, is something that even for our internal management purposes, we don't follow any more. We look at this portfolio as a global portfolio with various, of course, different features for each of the big lines, but we don't look at them any more with the kind of which -- kind of what -- where they were booked before, which category. So I don't think it would be meaningful for us to give you these breakdowns.

Scander Bentchikou - Oddo Securities - Analyst

Okay. Thank you.

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Operator

Thank you.

Pierre Mariani - Dexia - CEO

Thank you very much. Unfortunately, I have to leave now, because it's time for me to join the shareholder meeting. I thank you very much, all of you, for attending this meeting. And I maybe give you an appointment for the second quarter release on August 26, if some of you are not -- are back from -- to work from vacation. Thank you very much. Bye.

Operator

Thank you for joining today's conference, ladies and gentlemen. You may now replace your handsets.

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