

Dexia Group

Annual Shareholders Meeting

Brussels, May 17th 2017



DEXIA

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Annual Shareholders Meeting

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Section 1 **A Renewed Management for the Group**

Section 2 Achievements of the Year

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Dexia Group Profile

A renewed Management for the Group

Board of Directors of Dexia SA

- 4 independent directors, 3 executive directors and 5 representatives of the Belgian and French States in Dexia SA's Board of directors
- Existence of special committees allowing for in-depth review of topics:
 - Audit committee
 - Risk committee
 - Appointment committee
 - Remuneration committee

Evolution of Management Board of Dexia SA

- Management Board gathering the strategic functions of the Group in the context of its resolution
 - Nomination of Wouter Devriendt as Chief Executive Officer, at the end of the mandate of Karel De Boeck
 - Appointment of Véronique Hugues as Chief Finance Officer, in replacement of Pierre Vergnes
 - Appointment of Guy Cools as Head of Assets, in replacement of Claude Piret
 - Appointment of Aline Bec as Chief Operating Officer

- Robert de Metz, independent director, chairman of the Board
- Wouter Devriendt, CEO of Dexia SA
- Corso Bavagnoli, non-executive director
- Johan Bohets, executive director
- Bart Bronselaer, independent director
- Alexandre de Geest, non-executive director
- Thierry Franck, non-executive director
- Véronique Hugues, executive director
- Lucie Muniesa, non-executive director
- Alexandra Serizay, independent director
- Michel Tison, independent director
- Koen Van Loo, non-executive director

Martine De Rouck proposed to replace Paul Bodart, who resigned from his position of independent Director of Dexia SA on 16 November 2016

- Wouter Devriendt, Chief Executive Officer
- Véronique Hugues, Chief Finance Officer
- Johan Bohets, Chief Risk Officer
- Benoît Debroyse, Head of Funding & Markets
- Guy Cools, Head of Assets
- Aline Bec, Chief Operating Officer

Executive body mirrored at Dexia Crédit Local level

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Achievements of the Year

Implementation of capital relief measures to preserve solvency

Dexia's solvency, an attention point for 2016 and 2017

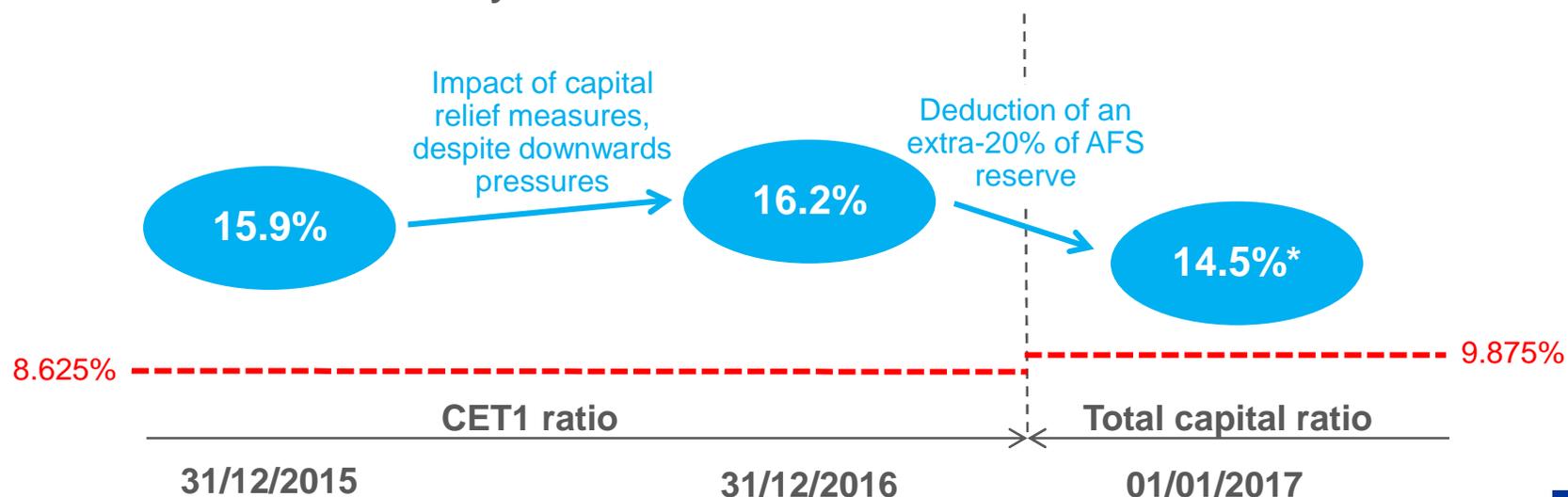
- Pressure on regulatory capital with the progressive deduction of the AFS reserve of the regulatory capital with an additional 20% tranche in 2017, as set in CRD IV
- Higher solvency requirements set by the ECB
- As from 2018, implementation of IFRS 9 expected to result in an enhancement of regulatory capital ratio's

Implementation of capital relief measures

- Targeted sale of assets allowing reduction of AFS reserve and RWAs; sale of holdings directly deducted from regulatory capital
- Measures resulting in an improvement of solvency ratios

New solvency requirements applying to Dexia under the SREP 2017 : **total capital requirement set at 9.875% in 2017**, including a capital conservation buffer of 1.250%, on top of requirements on CET1 ratio

Evolution of solvency ratios



* estimated

Achievements of the Year

Liquidity: prudent liquidity management in volatile market conditions

Prudent liquidity management

- Liquidity buffer at EUR 18.2 billion as at 31/12/2016, of which EUR 14.9 billion of unencumbered eligible assets
- Volatile market conditions in a politically uncertain context
- Funding need sensitive to exogenous parameters (high sensitivity of cash collateral posted to interest rate variations)

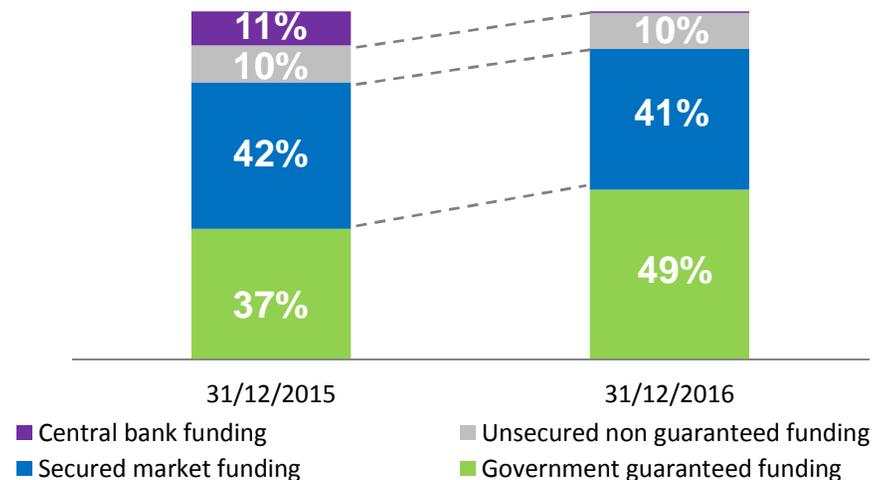
Variation of cash collateral posted over 2016



Optimization of funding mix

- Shift from Central Bank funding to cheaper funding sources, with a view to reducing the Group's funding cost
- Recourse to secured funding constrained by the progressive reduction of the stock of eligible assets
- Increase of recourse to State guaranteed funding, to EUR 71,4 billion as at 31/12/2016

Evolution of funding mix



Achievements of the Year

Operational continuity: defining a resilient, efficient and cost effective operating model

A necessity to adapt the in-house operating model

- Current in-house operating model would require heavy investment to ensure longer term sustainable operations
- Progressive reduction of income calling for more flexible costs
- Low capacity to retain skills on the long term putting operational continuity at risk

Further simplification of the Group's structure in 2016

- Liquidation of Dexia Luxembourg and Dexia Real Estate Capital Market in the USA
- Absorption of Dexia Sabadell by Dexia Crédit Local and creation of branches in Madrid and Lisbon
- In 2017, liquidation of Dexia Crediop Ireland

In the context of the resolution, reflections on the opportunity to outsource activities

Advantages

- Variabilisation of costs, evolving along with B/S size
- Transfer of the operational risk to the outsourcer
- Providing a long term perspective to employees with an outsourcing partner

Constraints

- Necessity to keep control of operations
- Potential cost to implement the outsourcing



- Identification of the appropriate scope of outsourced activities
- Study of feasibility of outsourcing, after having received offers from potential partners
- Review of profitability of the solutions offered

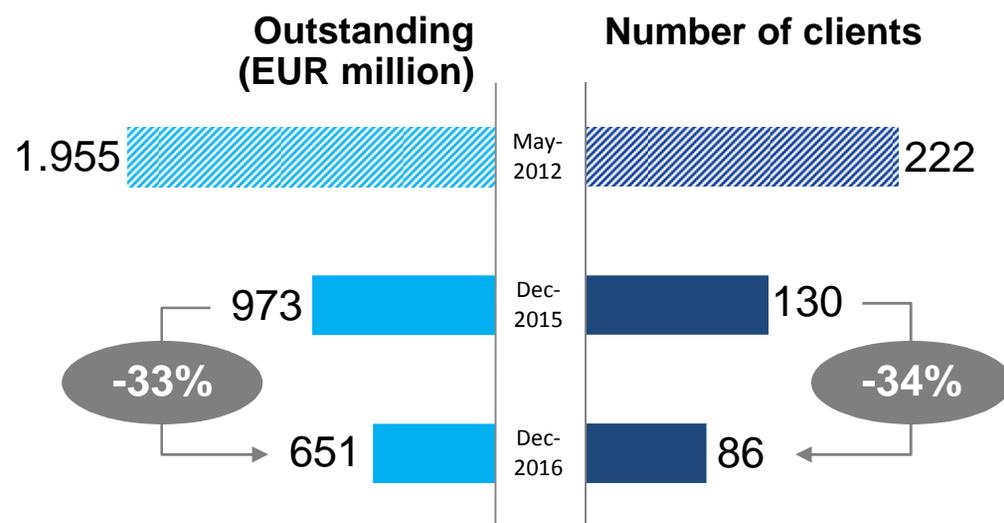
Achievements of the Year

Further reduction of systemic risk

Reduction of the Group's footprint



Desensitisation of the French structured loans



Decrease of risk for the European Central Bank

- As set in the orderly resolution plan, significant reduction of recourse to Central Bank funding in 2016, decrease the risk for the Eurosystem
- Less than EUR 1 bn outstanding as at 31/12/2016

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Financial 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, after the Brexit impact in June
- 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
- Inversion of trend in Q4, with a rise of interests by year-end

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 over 2016, to EUR -5.7 billion
- Positive contribution of accounting volatility elements to the 2016 results, with significant variations quarter on quarter

Financial Results 2016

2016 financial performance

Net income Group share of EUR 353 million, including elements of exceptional nature

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)
- Exceptional contribution to the Italian national resolution fund (EUR -25 million)

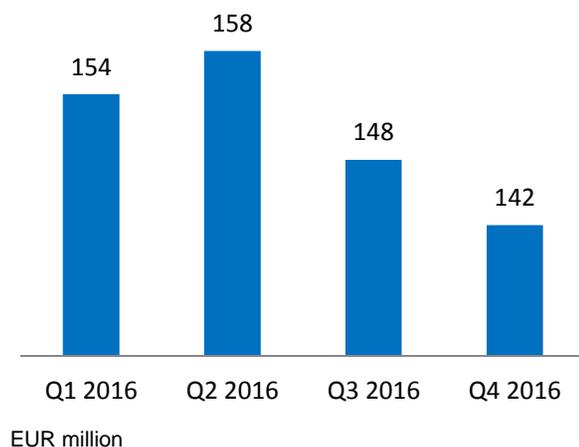


- These positive results must not be extrapolated for the years to come, as they include items of exceptional nature
- Future results are expected to be negative

Financial Results 2016

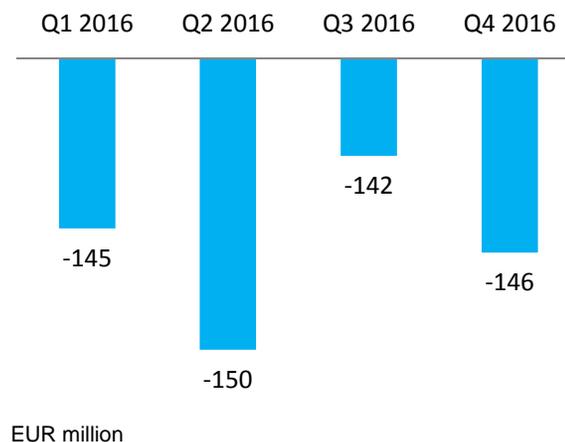
Fundamentals of the net recurring income

Revenues from assets declining along with portfolio reduction



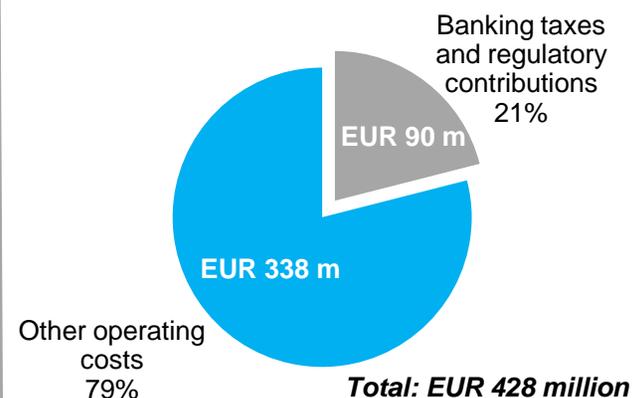
- Progressive decline in revenues from asset portfolios, under the effect of amortizations and asset sales
- Trend calling for a more flexible cost structure, to match the evolution of revenues

Stabilisation of funding costs



- Funding costs roughly stable over the year, in volatile market conditions
- Dexia penalised by the non eligibility of the State-guaranteed debt to the PSPP
- Modification of the funding mix, with a decrease in recourse to ECB funding, which is currently the most expensive funding source for Dexia

Banking taxes and regulatory contributions heavily weighting on costs

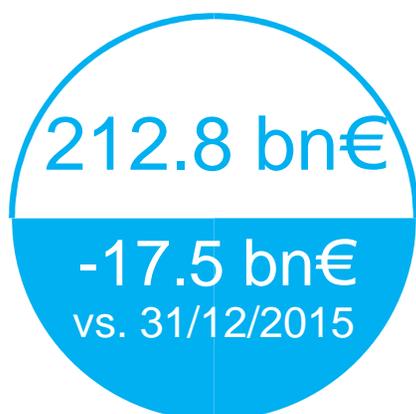


- Taxes and contributions accounting for EUR 90 million, i.e. ~20% of recurring costs
- Exceptional contribution of EUR 25 million to the Italian national resolution fund not included in recurring costs

Financial Results 2016

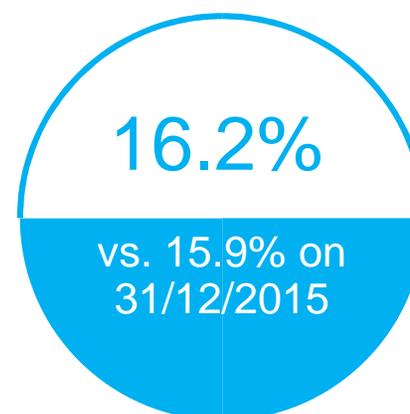
Balance sheet and solvency

Reduction of the balance sheet total



- Reduction of asset portfolios under the effect of natural amortisation (EUR -10.5 billion) and asset disposals (~EUR -5 billion)

Solvency ratios above regulatory requirements¹



- 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 of attention in 2017, considering the sensitivity of the Group to exogenous parameters (mainly credit spreads)

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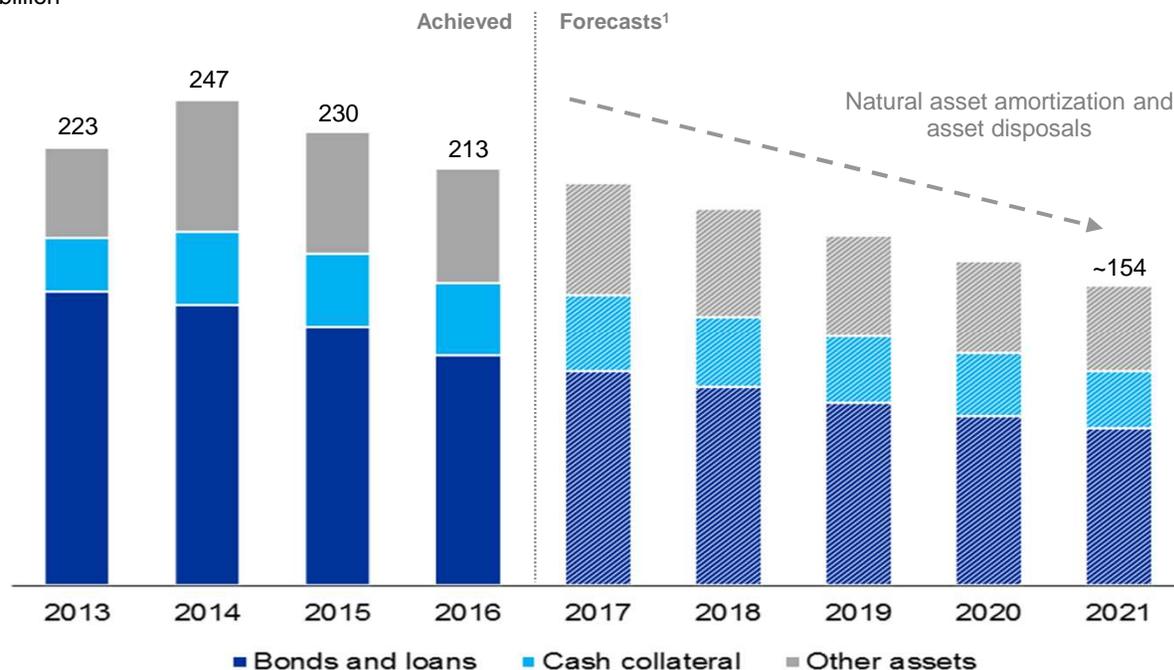
Looking Ahead

Balance Sheet

Indicative¹ Run Off Balance Sheet 2013-2021

For illustration only

EUR billion



- Total assets expected to be reduced by ~45% over the period 2014 – 2021 due to natural portfolio amortization and asset disposals, not compensated by new assets origination²
- Balance sheet total sensitive to exogenous factors, as the amount of cash collateral posted and fair value items may be impacted by interest rate and exchange rate movements
- Identification of assets available for disposals, in preparation of implementation of IFRS 9
- No numerical targets set by European Commission in terms of asset disposal; deleveraging mainly driven by asset value optimization

(1) Targeted figures as determined in the business plan of November 2012 (updated in June 2016) underlying the Orderly Resolution Plan approved by the European Commission

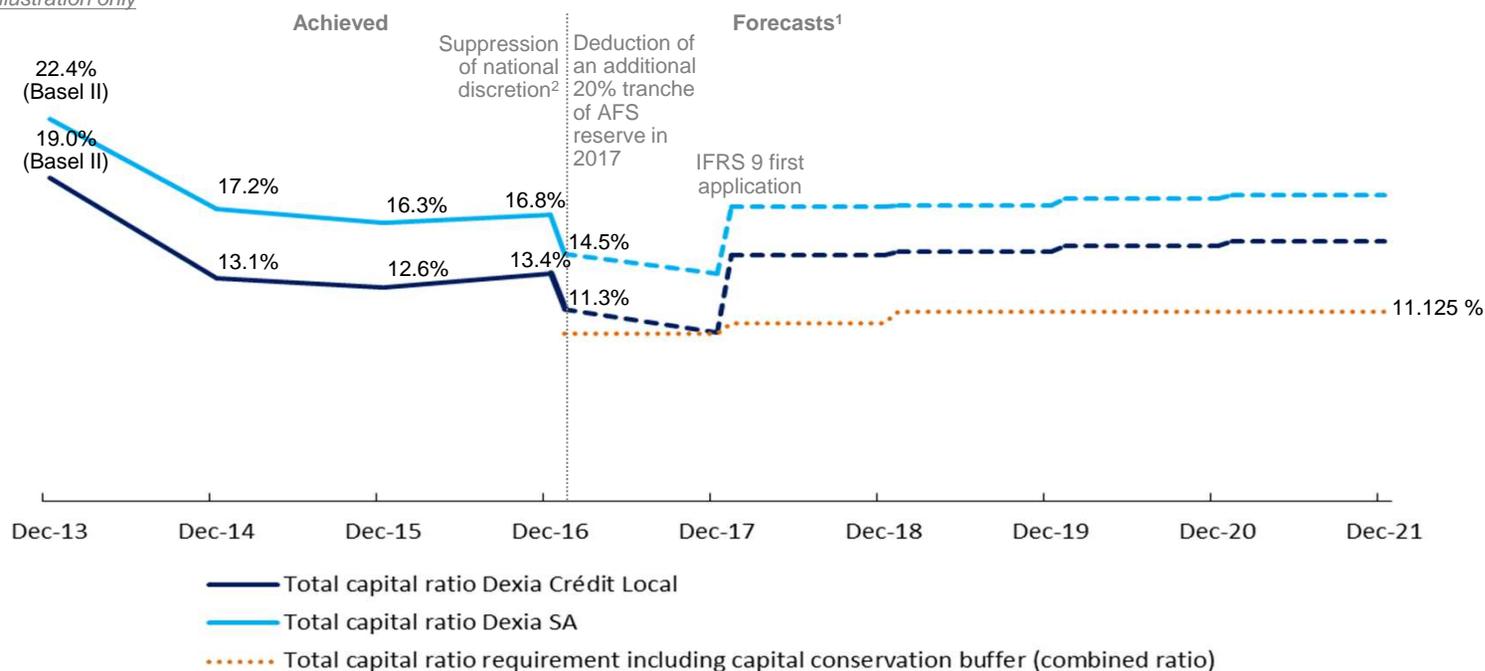
(2) Dexia Israel may continue its self-funded commercial activities with the purpose of preserving the commercial franchise until its divestment

Looking Ahead

Capital Base

Total capital ratio 2013-2021¹

For illustration only



- Application of the Basel III regulatory framework (CRD IV directive) in 2014, resulting in a fall of solvency ratios
- Progressive deduction of 20% per annum of AFS reserve; filtering of sovereign AFS reserve removed in 2016²
- No return to profitability over the resolution period
- As from 2017, projections highly sensitive to assumptions on the regulatory and accounting framework such as application of IFRS 9 or regulatory treatments
- No impact in terms of distribution of breach of the combined ratio including the capital conservation buffer, given the EC distribution restrictions already applying to the group in the frame the Orderly Resolution Plan, for burden sharing purposes

(1) Targeted figures at year-end as determined in the business plan of November 2012 (updated in June 2016) underlying the Orderly Resolution Plan approved by the European Commission – For information, actual data as at year-end 2016 higher than anticipated

(2) Following the regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), application of the national discretion allowing the filtering of sovereign AFS reserve until 1 October 2016

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Activity of the Board and Committees

Regular meetings

Number of meetings								
	2009	2010	2011	2012	2013	2014	2015	2016
Board of Directors	11	11	20	25	13	12	9	12
Audit Committee	9	8	12	11	5	6	6	6
Risk Committee							5	7
Strategic Committee ¹	1	2	8	3	1	1	-	-
Appointments Committee	7	5	9	7	5	4	6	8
Remuneration Committee							6	6

- Topics regularly dealt with by the board of directors and the specialised committees:
 - the execution of the revised orderly resolution plan and commitments of the States towards the European Commission
 - the Group's liquidity situation, SREP, Pillar II
 - the Group's solvency position, ICAAP
 - the Risk Appetite Framework
 - the deleveraging program
 - the reverse stock split
 - IFRS 9
 - the compliance and internal control policies
 - the sale of operational entities
 - Strategic and IT projects
 - the Group's governance memorandum

(1) Suppression of the Strategic Committee in 2015 due to rare meetings

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Human Resources

2016 remuneration report

- No change in the individual compensation of the members of the Management board
- Members of the Management Board, the Executive Committee and the Group Committee not entitled to variable remuneration
- Sustained dialogue with social partners
- Strict observance of legislative developments regarding compensation at a national, European and international level

Dexia Group

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Appendices



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Appendices

Key Assumptions of Projections

Operating assumptions

- Going concern
 - Going concern and banking license maintained
- Rating
 - Dexia Group and its entities maintain their current rating
- Accounting principles
 - Accounting principles as known at the time of the update

Macroeconomic assumptions

- Interest and exchange rates
 - Based on forward rates
- Inflation rates
 - Based on economic forecast and IMF data
- Credit spreads
 - Projections of credit spread evolutions

Assets and liabilities assumptions

- Derivatives
 - Projected fair values based on forward rates
- Funding plan
 - Assessment of market appetite by funding type

Dexia Group

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Procédure de vote -

Stemprocedure



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Stemprocedure - Procédure de vote

Voer uw stemkaart in

Insérez votre carte de vote

Barcode
bovenaan en naar u gericht



Code barres
au-dessus face à vous



Stemprocedure - Procédure de vote

Inbrengen tot aan de rode lijn
Insérez jusqu'à la ligne rouge



Het symbool verschijnt

Apparition du symbole



Stemprocedure - Procédure de vote

Laat de kaart in het stemtoestel

- tussen de stemmingen
- na de vergadering

Laissez la carte dans le boîtier

- entre les votes
- après la réunion

Is de kaart niet goed ingebracht,
dan verschijnt er een waarschuwing

Si la carte est mal insérée,
un avertissement s'affiche



Stemprocedure - Procédure de vote

Na de vergadering

Après la réunion

Geef uw stemtoestel
& -kaart weer af

Restituez votre boîtier
& votre carte



Stemprocedure - Procédure de vote

Stem

Votez

1 Ja / Oui

2 Nee / Non

3 Onthouding / Abstention



Stemprocedure - Procédure de vote

Stem

Votez

1 Ja / Oui

2 Nee / Non

3 Onthouding / Abstention



Stemprocedure - Procédure de vote

Stem

Votez

1 Ja / Oui

2 Nee / Non

3 Onthouding / Abstention

Om uw stem
te wijzigen,
druk uw
nieuwe keuze in



Pour modifier
votre vote,
appuyez sur
un autre choix

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