# Dexia Group
## Annual Shareholders Meeting

*Brussels, May 16th 2018*

DEXIA

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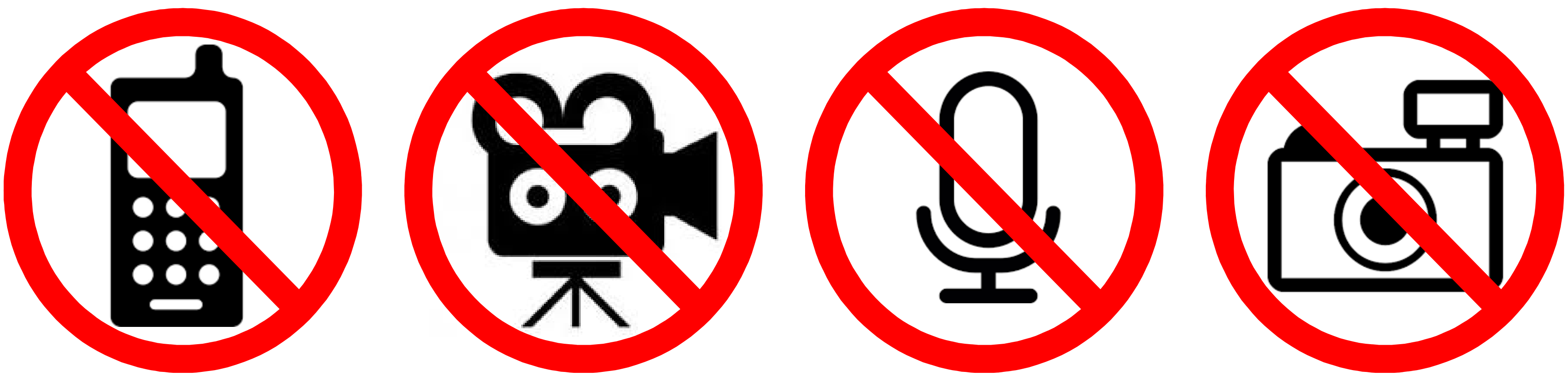

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# Annual Shareholders Meeting
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# Annual Shareholders Meeting
## Agenda

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| | |
|---|---|
| Section 1 | Achievements of the Year |
| Section 2 | Financial Results 2017 |
| Section 3 | Looking Ahead |
| Section 4 | Activity of the Board and Committees |
| Section 5 | Human Resources |

# Achievements of the Year

## Active management of the balance sheet and credit risk

- Favourable market conditions allowing the sale of large volumes of assets, focusing on sovereign exposures, covered bonds and loans to local public sector in the US and in France, with limited losses
- Focus on highly risk weighted assets to support the Group's solvency
- Derisking to improve the Group's risk profile, with the divestment of EUR 343 million of exposures on Puerto Rico
- No numerical targets set by European Commission in terms of asset disposal; commitment to accelerate the deleverage of commercial portfolios if market conditions are favourable

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|---|---|
| **Asset sales** | **EUR 9.9 bn** |
| **Early redemptions** | **EUR 1 bn** |
| **Natural amortization** | **EUR 9.1 bn** |

### Reduction of the Group's balance sheet size

| | 31/12/2016 | | 31/12/2017 |
|---|---|---|---|
| **Balance sheet** | **EUR 213 bn** | **-15%** | **EUR 181 bn** |
| **Asset portfolio** | **EUR 117 bn** | **-19%** | **EUR 95 bn** |

# Achievements of the Year

## Reducing the Group's footprint

### On-going simplification of the Group's structure

- Dissolution of Dexia Delaware LLC
- Merger of CLF Banque with DCL
- Deconsolidation of Dexia Crediop Ireland

### Sale of the participation of DCL in Dexia Israel

- On 19 March 2018, sale of the 58.9% stake held by DCL in Dexia Israël to institutional investors
- Sale completing the mandatory divestment process of the Group's commercial franchises as per the EC decision dated December 2012

# Achievements of the Year
## Strengthening the operating model of the Group

### Signature of an outsourcing agreement with Cognizant

- On 5 October 2017, signature of a long term agreement with Cognizant to collaborate on IT and back office services
- Greater flexibility of the cost structure, to align the cost trajectory with the progressive reduction of the Group's balance sheet
- Strengthening of the Group's operating model
- Offering long term career perspectives to employees transferred to Cognizant
- Creation of an internal watchtower to manage the outsourcing contracts and supervise the execution of the outsourced functions

### Improve and secure IT capacity

- Contract with Cognizant covering three fields: update of the Group's IT infrastructure, IT maintenance service and IT support for internal projects

### Streamlining the management of projects

- Development of a dedicated team in charge of project management, allowing a better resource allocation
- Implementation of a new methodology to monitor projects leading to an improved management of projects through higher coordination and prioritization of needs

# Annual Results 2017

## Favorable evolution of exogenous factors, reinforcing the impact of managerial 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

### Credit spreads

- Spread tightening in 2017, particularly on Portuguese and Italian sovereigns, supported by an accommodating monetary policy (quantitative easing)
- 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%)* |
| **Positive evolution of the AFS reserve** | **EUR +1.4 Bn** |

# Annual Results 2017

## Loss of EUR -462 million recorded in 2017

**Net income Group share : EUR -462 million**

### Recurring result

**-302 M€**

- EUR -89 million of banking taxes and regulatory contributions
- EUR -114 million resulting from an adjustment on hedging relationships
- EUR -58 million due to additional provisioning and sales of exposures on Puerto Rico

### Accounting volatility

**-64 M€**

- Negative contribution of accounting elements in an amount of EUR -64 million

### Non-recurring elements

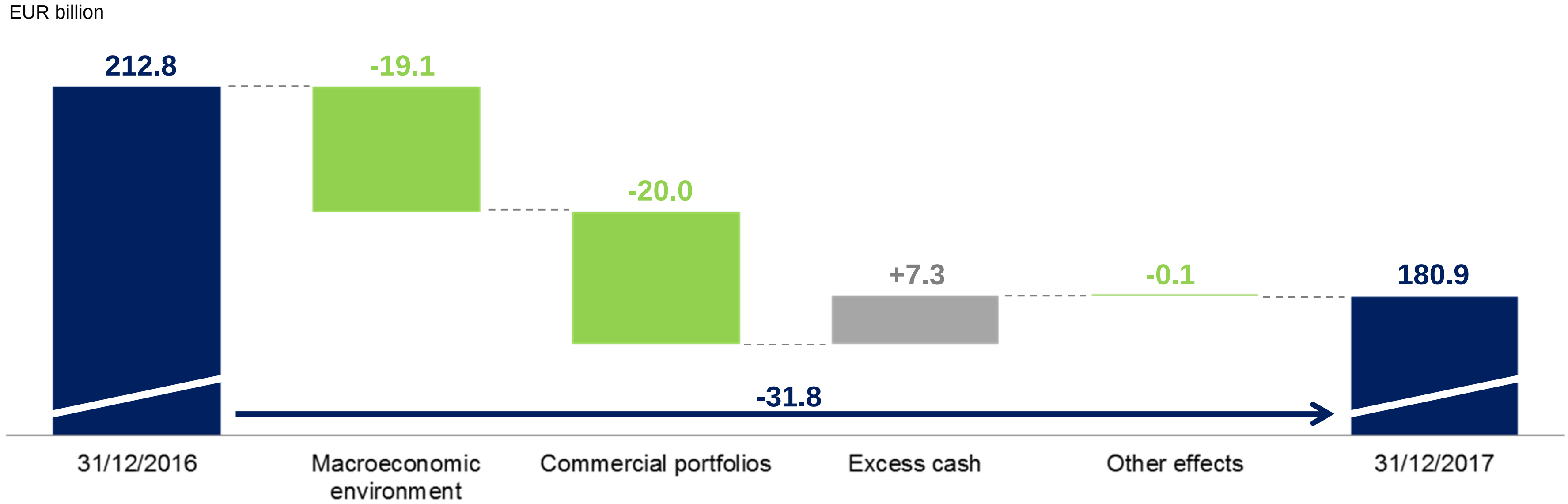
**-96 M€**

- EUR -41 million of losses associated with the active balance sheet management
- EUR -52 million resulting from the breakdown of hedging relationships on Puerto Rico’s exposures

# Annual Results 2017

## 15% decrease in total balance-sheet in 2017

### Reduction of the total balance-sheet by EUR – 31.8 bn in 2017, to reach EUR 180.9 bn




- Decrease of commercial portfolios under the effect of natural amortization (EUR -9.1 bn) and sales and early redemptions (EUR -10.9 bn)
- Favorable impact of FX effects (EUR -2.8 bn) and of the increase of interest rates on derivatives and elements at fair value (EUR -9.7 bn) and on the cash collateral posted by the Group (EUR -6.5 bn)
- Strengthening of the cash buffer following the decision of the European Central Bank limiting the access to Eurosystem for wind-down entities (EUR +7.3 bn)

# Annual Results 2017

## Total capital ratio at 20.4% to be compared with a regulatory requirement of 9.875%

### Strengthening of solvency since the end of 2016

- Decrease of risk weighted assets (RWA) driven by the reduction of asset portfolios, combined with the targeted sale of highly weighted assets
- Deduction of an additional 20% of the AFS reserve from the regulatory capital, that partly offsets the impact of the decrease of RWAs

### Conversion of the preference shares subscribed in 2012 by the Belgian and French States into ordinary shares

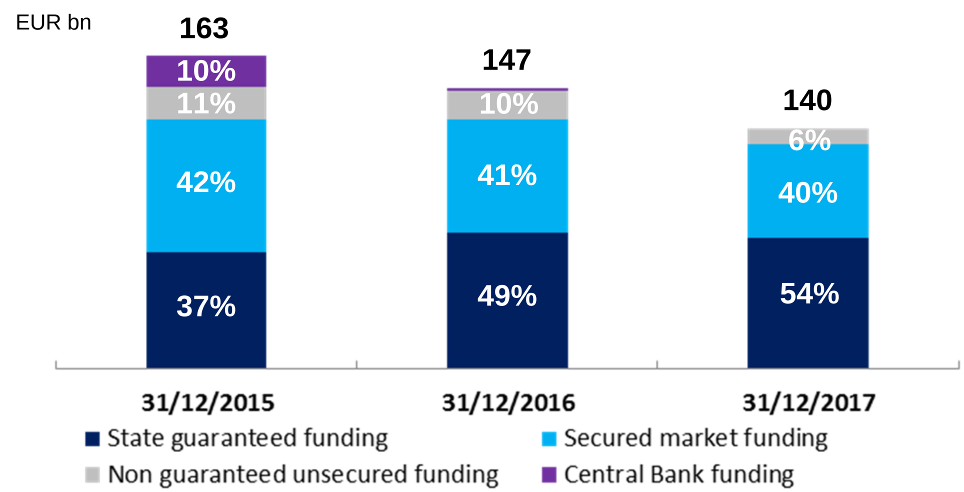
- In December 2017, conversion of the preference shares subscribed in 2012 by the Belgian and French States into ordinary shares, resulting in an increase of the weight of the Belgian and French States in the shareholding structure to 99.5%
- Capital conversion plan requested by the European Central Bank to ensure the observance of capital ratios
- Issue of profit shares bearing Contingent Liquidation Rights (CLR) granted to the Belgian and French States to ensure the ongoing observance of the "burden sharing" requirements imposed by the European Commission

# Annual Results 2017
## Progressive shift of funding mix to market funding

### Decrease of funding need by EUR -21.7 bn in 2017

| | |
|---|---|
| **Change in net cash collateral posted** | **EUR -6.2 bn** (to 26.5 bn) |
| **Decrease of commercial assets** | **EUR -22.4 bn** (to 94.5 bn) |
| **Increase of cash reserve** | **EUR +7.2 bn** (to 10.5 bn) |

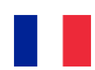
### Exit from Central Bank funding




- Announcement by the ECB on 21 July 2017 of the end of access to the main refinancing operations (MRO) granted by the ECB for wind down entities (including Dexia) as from January 2022
- Expected impact remaining limited for Dexia, due to the marginal contribution of the Central bank funding in the total funding mix

**Outstanding under State guarantee** | **EUR 67.6 bn**

€ 34.8 bn



€ 30.8 bn

€ 2.0 bn

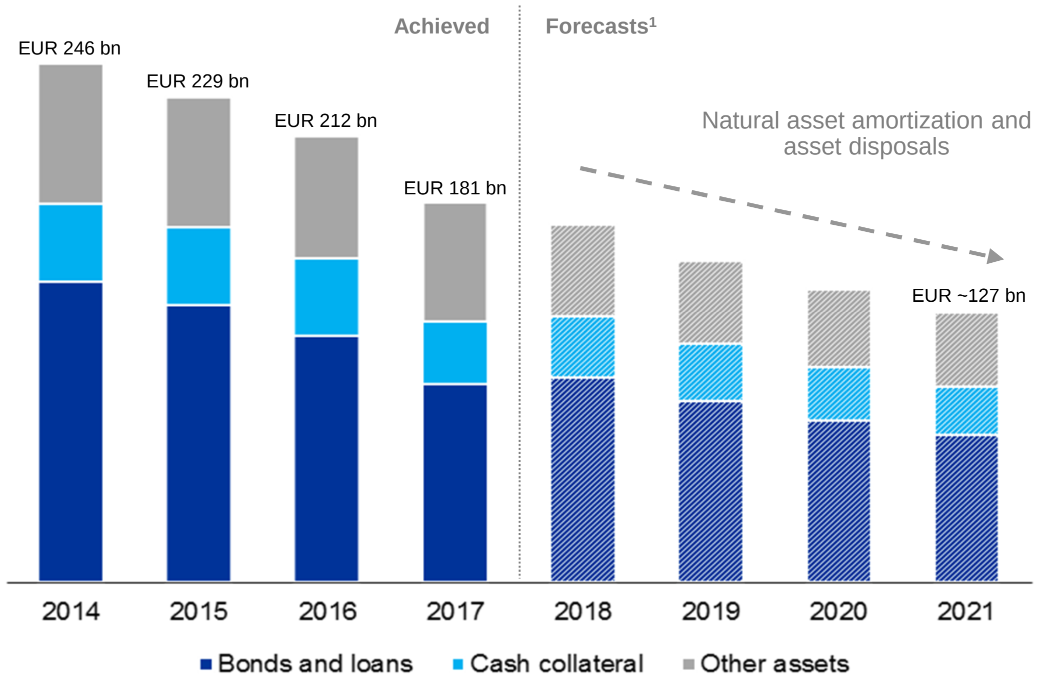
Data as at 31 December June 2017

# Looking ahead

## Balance Sheet

### Indicative[1] Run Off Balance Sheet 2014-2021

*For illustration purpose only*



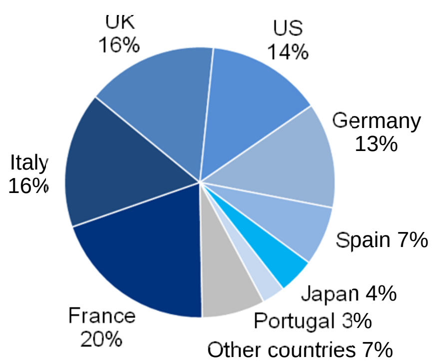

- Total assets expected to be reduced by ~48% over the period 2014 – 2021 due to natural portfolio amortization and asset disposals, not compensated by new assets origination
- Balance sheet total sensitive to exogenous factors, as the amount of cash collateral posted and fair value items may be impacted by interest rate and exchange rate movements
- 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 2017) underlying the Orderly Resolution Plan approved by the European Commission*

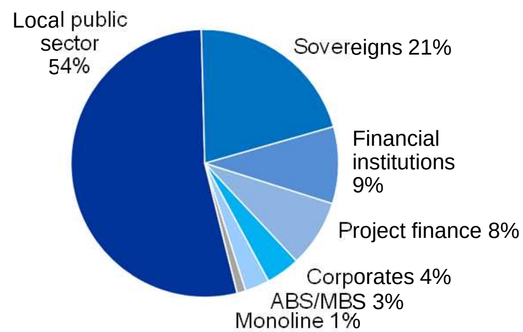
# Looking ahead
## Commercial portfolios with a good asset quality

### Key figures (EAD2 in %)
Scope : Dexia Crédit Local, as at 31/12/2017

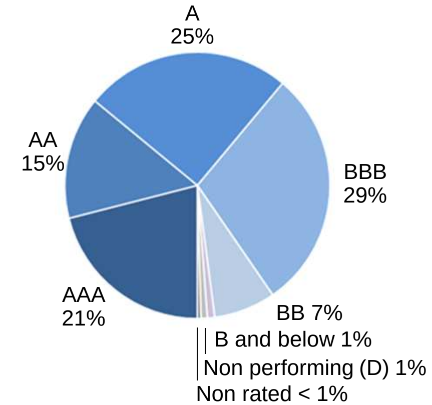
Breakdown by country




Breakdown by type of counterparty




Asset quality




- Portfolio reflecting Dexia's previous positioning of former leader in public financing, mainly concentrated in Western Europe and in the US
- Assets well rated, ~90% investment grade, with a low cost of risk
- Very low level of Non Performing Loans; most of the Non Investment Grade assets being in the BB range
- Concentration on specific sectors and counterparts, involving a cautious risk supervision

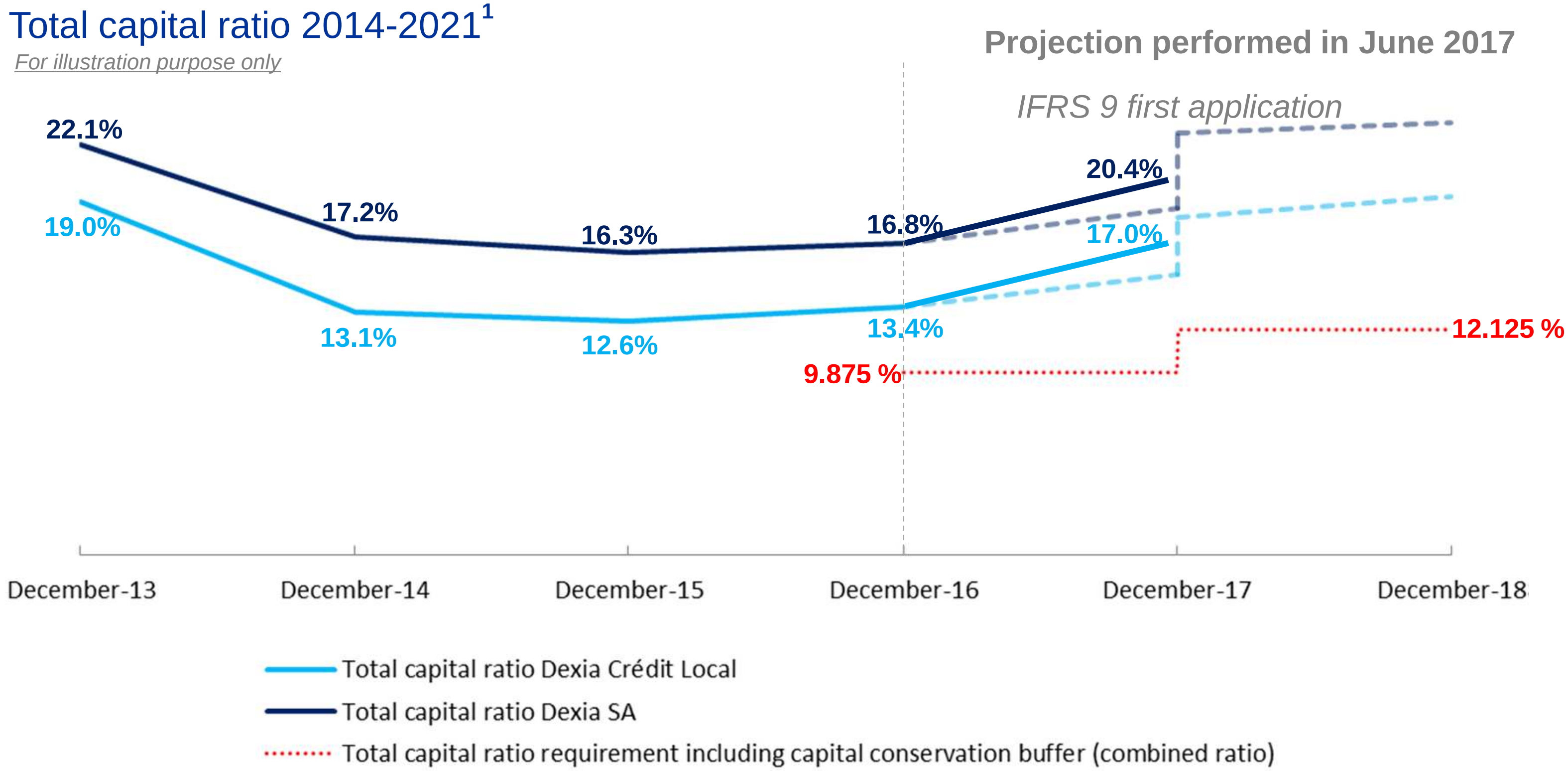
| | |
|---|---|
| **Number of exposures** | 20,135 |
| **Number of debtors** | 6,078 |
| **Commitments (EAD²)** | EUR 141.4 billion |
| **o/w Loans** | EUR 73.4 billion |
| **o/w Bonds** | EUR 57.2 billion |

*(1) Including deposits with Central Banks (positive liquidity position of EUR 16.4 bn as at 31 December 2017, of which EUR 10.5 bn in the form of deposits with central banks*
*(2) The Exposure at Default (EAD) corresponds to the best estimate of credit risk exposure at default for a counterparty. The EAD for a counterpart corresponds to the (i) balance sheet assets' accounting book value gross of impairments, (ii) derivatives' mark-to-market plus regulatory add-ons and (iii) off-balance sheet items' nominal amounts times a Credit Conversion Factor.*

# Looking ahead
## Solvency

### Total capital ratio 2014-2021[1]

*For illustration purpose only*




- Solvency under pressure due to the structurally loss-making nature of Dexia, despite the reduction of RWAs
- Capital enhancing measures undertaken since 2016 and first-time application of IFRS 9 having a significant supportive impact on solvency ratios
- Actual total capital ratios as at 31/12/2017 higher than initially projected
- Projections highly sensitive to assumptions on the economic and financial environment, as well as on the regulatory and accounting framework
- As from 2018, increasing solvency requirements imposed by the ECB, converging with the ones of banks with similar size and risk profile

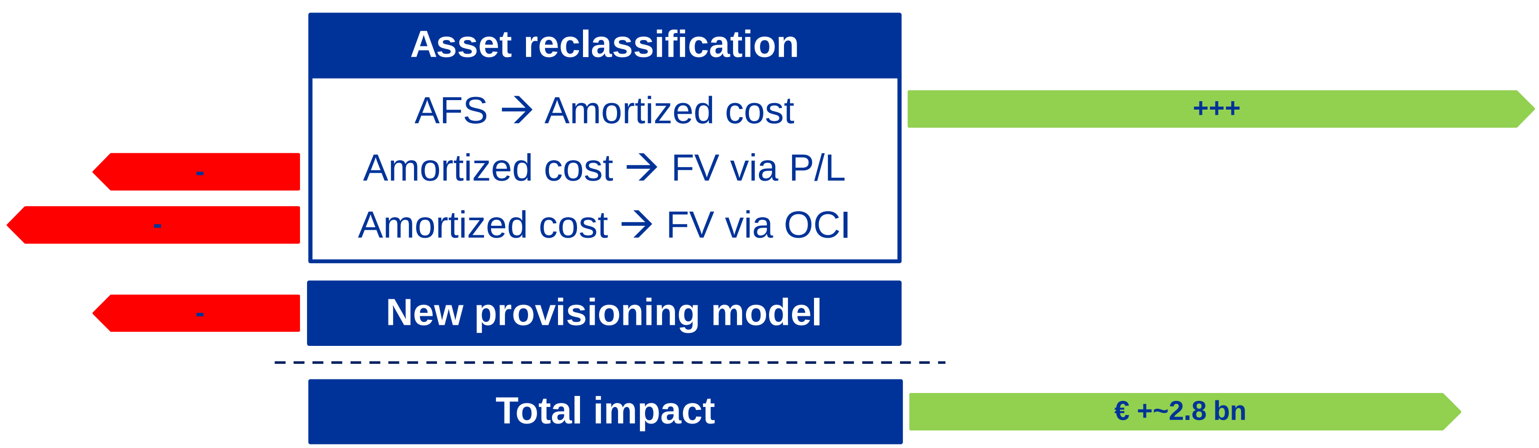
(1) *Targeted figures at year-end as determined in the business plan of November 2012 (updated in June 2017) underlying the Orderly Resolution Plan approved by the European Commission*

# Looking ahead

## Positive impact of IFRS 9 first time application on regulatory capital, in an amount of EUR ~2.8 bn

- On 1 January 2018, implementation of IFRS 9 including:
  - A new approach for the classification and measurement of financial assets, which is driven by the business model in which an asset is held and its contractual cash flow characteristics
  - A single forward-looking model for the impairment based on expected credit losses

- First time application of IFRS 9 resulting in a positive impact of EUR ~2.8 billion on regulatory capital, corresponding to an increase by ~500 bps of solvency ratios
  - Positive impact resulting from the reclassification of assets allowed by the new accounting standard, in particular of assets available for sale to the category “amortized cost”, involving the cancellation of latent gains and losses observed in equity under IAS 39
  - Limited increase by EUR 0.2 billion in the amount of provisions, following the adoption of the new impairment model



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| **Section 4** | **Activity of the Board and Committees** |
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# Activity of the Board and Committees

## Regular meetings

<table>
<tr><th colspan="8">Number of meetings</th></tr>
<tr><th></th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th></tr>
<tr><td>Board of Directors</td><td>20</td><td>25</td><td>13</td><td>12</td><td>9</td><td>12</td><td>10</td></tr>
<tr><td>Audit Committee</td><td rowspan="2">12</td><td rowspan="2">11</td><td rowspan="2">5</td><td rowspan="2">6</td><td>6</td><td>6</td><td>7</td></tr>
<tr><td>Risk Committee</td><td>5</td><td>7</td><td>11</td></tr>
<tr><td>Strategic Committee[1]</td><td>8</td><td>3</td><td>1</td><td>1</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Appointments Committee</td><td rowspan="2">9</td><td rowspan="2">7</td><td rowspan="2">5</td><td rowspan="2">4</td><td>6</td><td>8</td><td>5</td></tr>
<tr><td>Remuneration Committee</td><td>6</td><td>6</td><td>4</td></tr>
</table>

- Topics regularly dealt with by the board of directors and the specialised committees:
  - The execution of the revised orderly resolution plan and the review of alternative options
  - The Group's liquidity situation, SREP, Pillar II
  - The Group's solvency position, ICAAP
  - The Risk Appetite Framework
  - The management of asset portfolios and the deleveraging program
  - The conversion of preference shares hold by the Belgian and French States
  - The first time application of IFRS 9
  - The compliance and internal control policies
  - Strategic and IT projects
  - Governance issues
  - The follow up of audit recommendations

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

# Human Resources
## 2017 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
- Strict compliance with the legislative requirements regarding compensation at a national, European and international level
- Sustained dialogue with social partners
- Transfer of IT and Back Office teams to Cognizant (150 employees in 2 waves: November 2017 / May 2018)

# Dexia Group

## Annual Shareholders Meeting

*Brussels, May 16th 2018*

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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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