

Dexia Crédit Local

Issuer with an Explicit State Funding Guarantee

Fixed Income Investor Presentation

May 2020



DEXIA

Fixed Income Investor Presentation

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Section 1	Group Profile & State Funding Guarantee
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Section 2	Update on the resolution
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Section 3	Funding & Liquidity
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Dexia Group Profile & State Funding Guarantee

1. Overview of a Group in Orderly Resolution
2. ... with an explicit State Funding Guarantee
3. Pursuing the resolution beyond 2021

Dexia Group Profile

Overview of a Group in Orderly Resolution

Dexia SA

99.6% State-owned banking institution in orderly resolution

Status

- Formerly active in financing European public local sector
- Since 2012, a group in orderly resolution, as approved by the European Commission
- Direct supervision by the European Central Bank within the framework of the Single Supervisory Mechanism since 4 November 2014
- 99.6% State-owned (Belgium: 52.78%, France: 46.81%)
- Fully owns [Dexia Crédit Local](#), Group's operating entity and State guaranteed issuer

Mandate

- To manage the balance sheet wind-down in order to preserve the financial interests of the shareholders and the State guarantors; 3 strategic objectives over the resolution period:
 - Secure group's liquidity at all times
 - Ensure operational continuity
 - Preserve capital and observe regulatory requirements

100%

Dexia Crédit Local

- Group's Issuing entity and main operating entity
- Located in France
- Perimeter converging to the one of Dexia SA, with a total consolidated balance sheet of EUR 120 billion at the end of December 2019; >99% of the group's assets held by Dexia Crédit Local
- Simplified and unified governance with Dexia SA; members of Management Board and Board of Directors of Dexia SA being members of those of Dexia Crédit Local

Dexia Group Profile

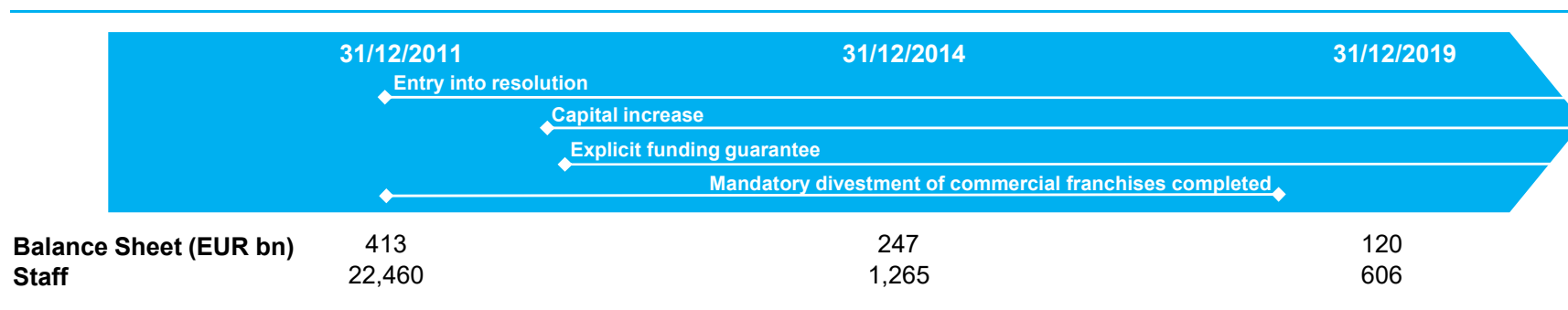
Overview of a Group in Orderly Resolution

Dexia Revised Orderly Resolution Plan, approved by the European Commission on 28 Dec. 2012

- Dexia revised orderly resolution plan setting the base of the orderly run-down of the Group's activities
- In essence, plan calling for the disposal of identified commercial franchises and the management in run-off of other franchises without new commercial production, with a limited number of exceptions
- Support provided by the Belgian, French and Luxembourg States to allow the Group's orderly resolution in the long run

State Support under the form of

- A EUR 5.5 billion capital increase subscribed by the Belgian and French States on 31 Dec. 2012
- An explicit funding guarantee granted by the Belgian, French and Luxembourg States on 24 Jan. 2013



Dexia Group Profile

... with an explicit State Funding Guarantee

Explicit funding guarantee granted by the Belgian, French and Luxembourg States on 24 Jan. 2013

Features of the 2013 Guarantee¹

- Explicit State guarantee² granted to Dexia Crédit Local and DCL New York Branch
- Ceiling of EUR 85 billion in principal³; interests and incidental amounts due are guaranteed beyond this limit
- Shared 51.41% Belgium (AA / Aa3 / AA-), 45.59% France (AA / Aa2 / AA), 3.00% Luxembourg (AAA / Aaa / AAA)
- Several, not joint, first demand, unconditional, irrevocable
- 2013 State guarantee rated AA / Aa3 / AA- and A-1+ / P- 1 / F1+⁴

Framework

- Effective as of 24 January 2013; replaces the 2011 Guarantee
- Maximum maturity of 10 years for securities issued under the guarantee and extended issuance period till 31 December 2021
- In agreement with the European Commission, fees paid on the outstanding guaranteed under the 2013 scheme set at 5 bps
- Confirmation of 0% RW for State Guaranteed debt by National Bank of Belgium and French banking supervisor (ACPR)
- Eligible as HQLA level 1 under the EU Delegated Act on the Liquidity Coverage Ratio

Jurisdiction

- Guarantee governed by Belgian Law
- **European Commission:** 28 December 2012
- **Belgium:** Royal Decree of 18 October 2011 granting the State's guarantee for certain commitments of Dexia Crédit Local SA, as amended by the Royal Decree of 19 December 2012 and ratified by the Law of 17 June 2013
- **France:** article 4 of the finance law n° 2011-1416 of 2 November 2011, as amended by the finance law for 2012 of 29 December 2012
- **Luxembourg:** law of 16 December 2011

(1) Further details on the Guarantee's mechanism available in the Appendices of this document

(2) 2013 funding guarantee agreement available on https://www.dexia.com/sites/default/files/2019-12/garantie_2013_EN.pdf

(3) Guaranteed obligations denominated in foreign currencies are converted into their euro equivalent amount on the date any new eligible financings are issued or entered into

(4) Rating reports: S&P (22/06/2018 and 17/07/2018), Moody's (17/04/2018 and 26/11/2018) and Fitch (04/01/2017 and 09/01/2018)

Prolongation of Dexia's senior debt State guarantee

- **Approved by the European Commission** on 27 September 2019
- **Prolongation of the funding guarantee** for a period of 10 years as from 1 January 2022
- **Guarantee ceiling:** EUR 75bn, instead of EUR 85bn
- **Two States as guarantors:** Belgium (53%) and France (47%)
- **Respecting the principle of burden sharing:** set up of a conditional deferred fee

Update on the resolution

1. Recent Developments
2. Balance Sheet
3. Solvency
4. Portfolio Breakdown and Asset Quality

Recent developments

Transformation of the group and reduction of the portfolio

Simplification of the international network

- Sale of **Dexia Kommunalbank Deutschland** to Helaba
- Closure of the **Dexia branch in Madrid**
- Transformation of the **Dexia branch in New York**:
 - **Transfer of the asset portfolios**, derivatives and related activities to Dexia Crédit Local in Paris
 - **Transformation of the entity into a representative office** in the 1st half year 2020

Accelerated reduction of balance sheet and risks

- **Total Balance sheet down by -24% to EUR 120.3bn**, or **EUR -38.5bn**, of which EUR -24.4bn due to the deconsolidation of DKD
- **Asset portfolios decreased by EUR -31bn to EUR 49bn** as at 31 December 2019
 - EUR 14bn of assets, resulting from the sale of DKD
 - EUR 14bn of assets sold and early redemption, of which EUR 7.7bn assets held by DCL New York
 - EUR 2bn of natural amortisation
 - Exposure to the **Chicago Board of Education** totally sold or bought back

Recent developments

Impact of strategic decisions resulting from the group refocusing on the IFRS 9 Business Model

Approval of two additional asset sales programmes

- **Specific programme dedicated to the sale of US assets** aimed at reducing the operational risk linked to the transformation of DCL New York, considering current favourable market conditions
- Approval of a **second asset sales programme**
 - Targeting a further EUR 13bn decrease by 2021
 - Context of evolution and strengthening of regulatory requirements applicable to the Group
 - Objective of reducing market risk, including liquidity risk, whilst maintaining solvency
- Leading to a **change of the business model** applicable to the selected portfolios

Impact of assets sales programmes on Dexia's Business Model

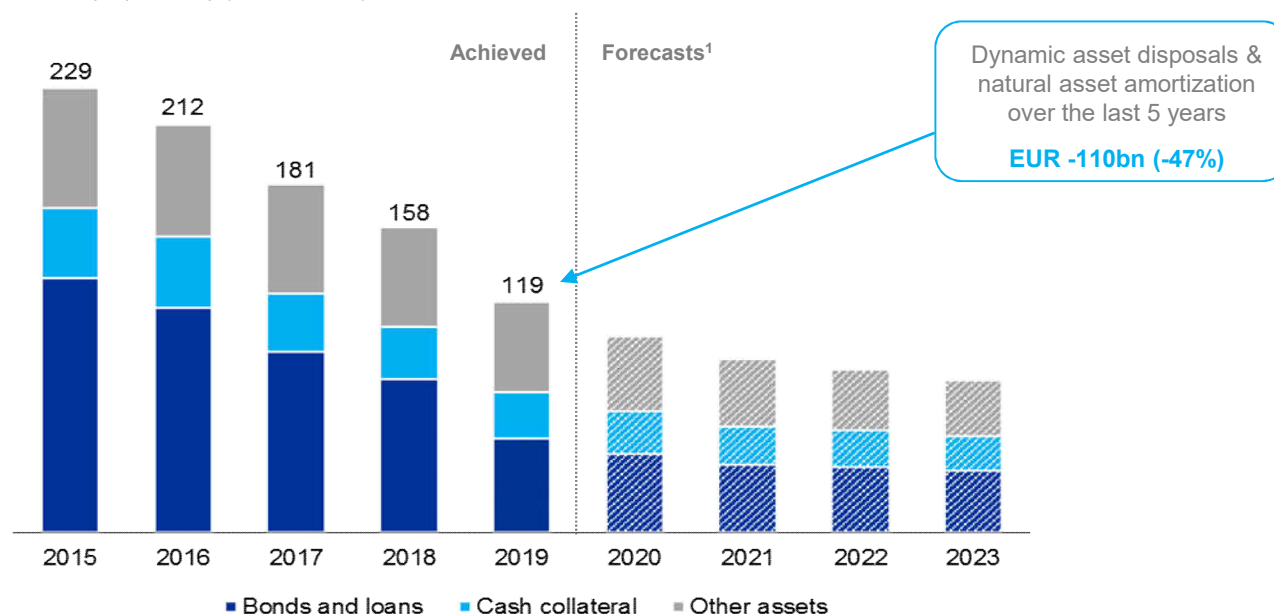
- **Change of the business model:** implementation of a **monitoring system for sales of assets at amortized cost** through the definition of **59 “clusters”**, as well as frequency and significance thresholds
- **Reclassification** of concerned assets (EUR 6.5bn) from “amortized cost” to “fair value through equity” or “fair value through P&L”, on the 1st day of the reporting following the Board's decision, i.e. **on July 1, 2019**
- Resulting impact of **EUR -412m** as of 31/12/2019: EUR -314m through P&L and EUR -98m through equity

Dexia Crédit Local, Issuer of the Dexia Group

Balance Sheet

Indicative¹ Run Off Balance Sheet

For illustration purpose only (in EUR billion)



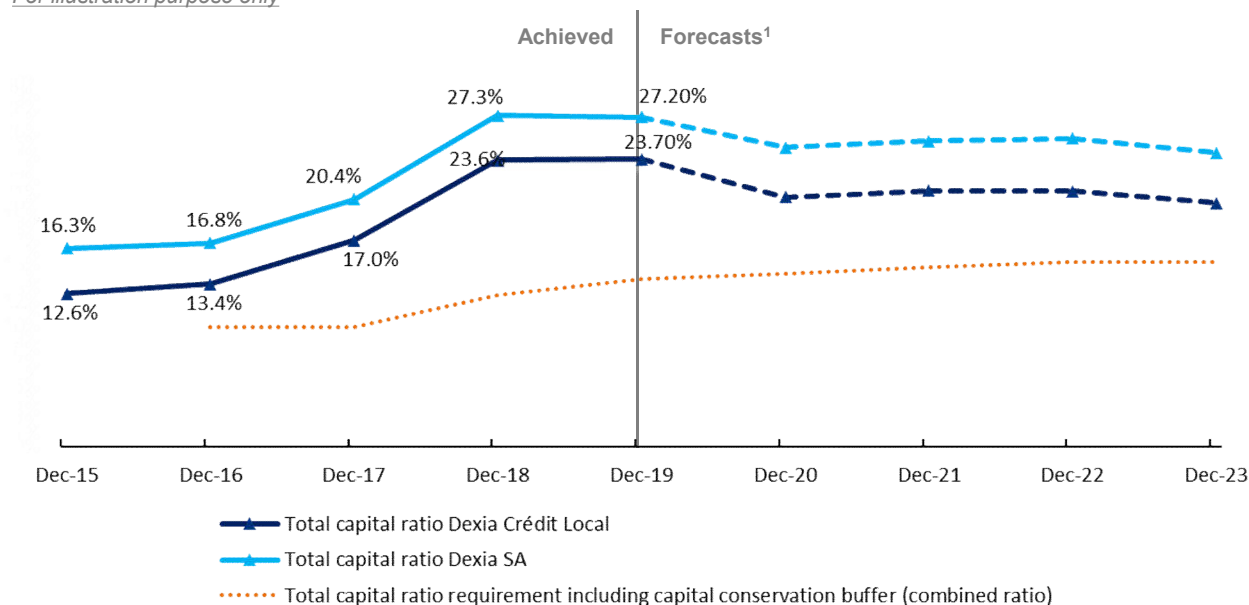
- Sensitivity to **exogenous factors**, as the amount of cash collateral posted and fair value items may be impacted by interest rate and exchange rate movements
- **Accelerated balance sheet reduction** through **two additional asset sales programmes**, considering current favorable market conditions
 - **Specific programme** dedicated to the sale of US assets aimed at reducing the operational risk linked to the transformation of DCL New York
 - **Second asset sales programme** in a context of strengthened regulatory environment, aiming at reducing market risk, including liquidity risk, whilst protecting solvency
- **No numerical targets** set by the 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 April 2020) underlying the Orderly Resolution Plan approved by the European Commission

Dexia Crédit Local, Issuer of the Dexia Group Solvency

Total capital ratio

For illustration purpose only



- **Capital measures** undertaken since 2016 aiming at enhancing capital ratios
- Positive **impact of IFRS 9** first time application of EUR ~2.7bn on regulatory capital in 2018 (~500 bps on solvency ratios)
- As from 2020, projections highly sensitive to assumptions on the regulatory and accounting framework
- **Protecting solvency** in targeting **neutral solvency impact** on asset sales
- No impact in terms of distribution of breach of the combined ratio (SREP requirement) 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

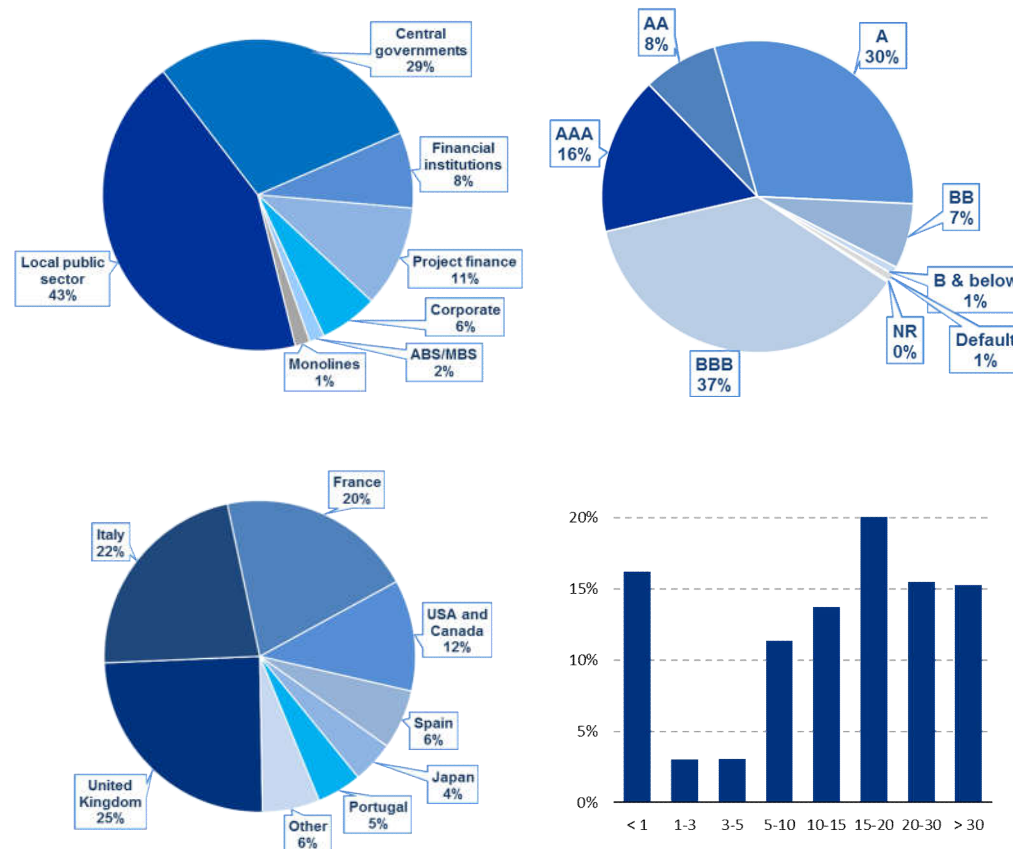
(1) Projections at year-end as determined in the business plan of November 2012 (updated in April 2020) underlying the Orderly Resolution Plan approved by the European Commission

Dexia Crédit Local, Issuer of the Dexia Group

Portfolio Breakdown and Asset Quality

- Portfolio reflecting Dexia's previous positioning as a former leader in public financing
- Good asset quality overall: ~90% assets within the investment grade range
- Low cost of risk: limited amount of non performing loans
- Portfolio characterized by long-termed loans to the local public sector (~67% with a maturity above 10 years)
- Significant concentration on specific sectors and counterparts
- Active de-risking policy

Portfolio¹ distribution & maturity breakdown



Key portfolio figures

Number of exposures	10,311
Number of debtors	3,547
Commitments (EAD ²)	EUR 87.0 billion
o/w Loans	EUR 42.6 billion
o/w Bonds	EUR 38.9 billion

Scope: Dexia Crédit Local, as at 31 Dec. 2019

(1) Including deposits with Central Banks (positive liquidity position of EUR 19.4bn as at 31 Dec. 2019, of which EUR 9.8bn 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.

Funding & Liquidity

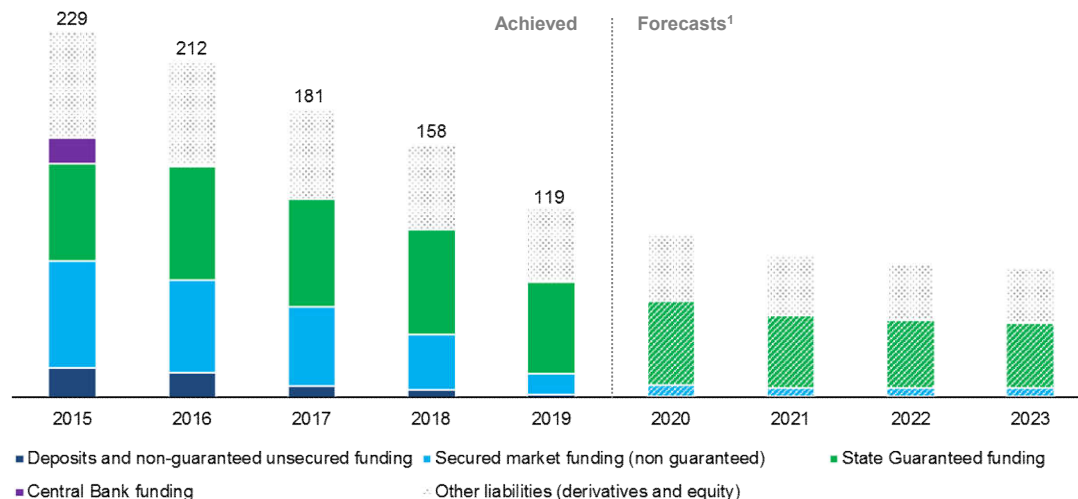
1. Targeted Funding Profile
2. Funding Tool Box
3. Focus on State Guaranteed Issuance
4. State Guaranteed Bonds Secondary Market Levels

Funding & Liquidity

Targeted Funding Profile

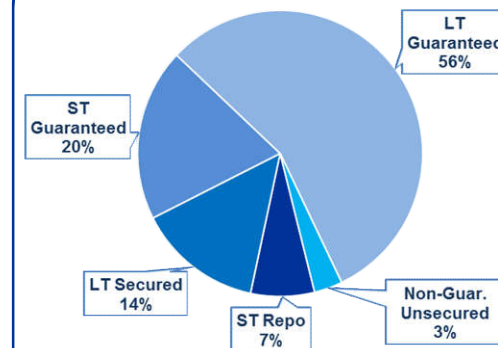
Indicative¹ Consolidated Funding Mix

For illustration purpose only



- Balanced mix between long and short-term funding allows for a sustainable, flexible and cost-efficient refinancing structure
- Increasing share of State Guaranteed funding with a mix converging towards:
 - ~85 % of State guaranteed funding
 - ~15 % of non-guaranteed secured and unsecured market funding
- No reliance on ECB funding:
 - No recourse since end 2017
 - No longer eligible to ECB funding² as from 01/01/2022, access remaining available up to EUR 5.2bn until 31/12/2021

Funding Mix



- State Guaranteed** funding raised under the State guarantee scheme
- Secured market** funding (non guaranteed) - repo transactions and specific secured mechanisms
- Non-guaranteed unsecured** funding (mostly residual funding raised before 2011)

(1) Figures determined in the business plan of November 2012 (updated in April 2020) underlying the Orderly Resolution Plan approved by the European Commission

(2) Please refer to press release dated 21/07/2017, available on www.dexia.com

Funding & Liquidity

Funding Tool Box

	State guaranteed funding		Non guaranteed
	Money market	Debt capital markets	Repo market
Maturity	Up to 1 year	1 to 10 years	Up to 1 year
Format	Commercial Papers	Bonds	Bilateral and Triparty Repo
Currencies	EUR, USD, GBP, CHF, CAD, JPY		Mainly EUR
Issuer	Dexia Crédit Local	Dexia Crédit Local	Dexia Crédit Local
Documentation	ECP USCP NEU CP	EMTN USMTN	GMRA
Yearly targeted volumes	EUR 12.5bn Regular issuance to maintain an average outstanding of EUR 12.5bn in 2020	EUR 4.5bn Annual funding program for 2020	EUR 3bn Regular activity to maintain an average of EUR 3bn in 2020

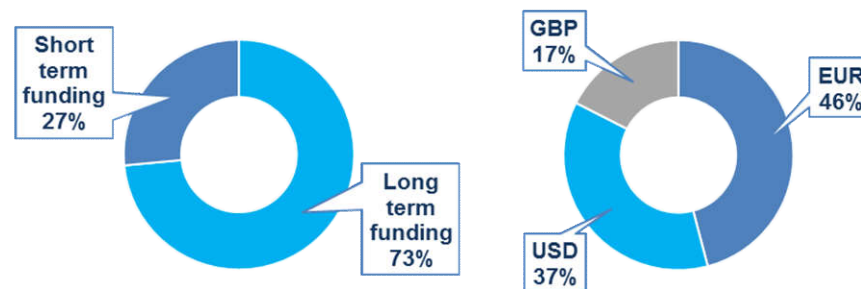
Funding & Liquidity

State Guarantee Issuance

Key pillar of the funding mix

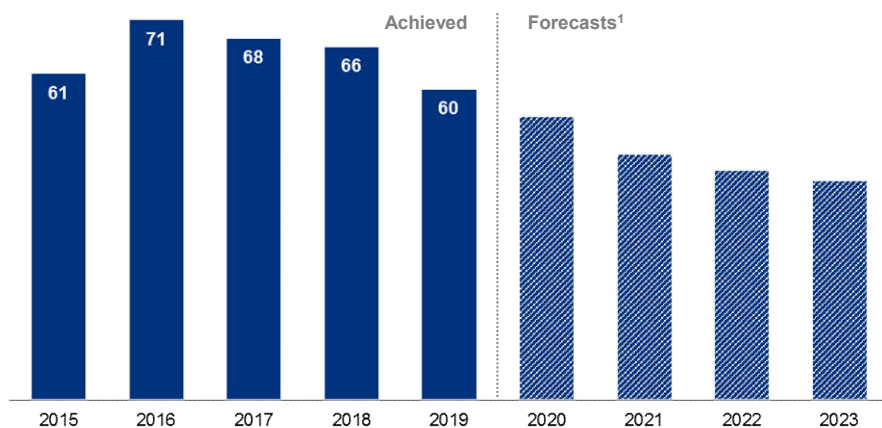
- As the robustness of the explicit State Guarantee has positioned DCL as an SSA issuer, this source of funding progressively became the key pillar of the Group refinancing
- Regular bond and commercial papers issuances allow to benefit from a stable and cost-efficient refinancing structure
- A strong funding franchise developed since 2013 with a focus on the main currencies of the asset portfolio : EUR, USD and GBP

Current State Guaranteed funding mix



Indicative¹ Recourse to State Guarantee

For illustration purpose only



In 2020, targeting State Guaranteed issuances for an average amount of EUR 17bn

	State guaranteed funding	
	Money market	Debt capital markets
Maturity	Up to 1 year	1 to 10 years
Format	Commercial Papers	Bonds
Currencies	EUR, USD, GBP, CHF, CAD, JPY	
Issuer	Dexia Crédit Local	Dexia Crédit Local
Documentation	ECP USCP NEU CP	EMTN USMTN
Yearly targeted volumes	EUR 12.5bn <small>Regular issuance to maintain an average outstanding of EUR 12.5bn in 2020</small>	EUR 4.5bn <small>Annual funding program for 2020</small>

(1) Targeted figures as determined in the business plan of November 2012 (updated in April 2020), underlying the Orderly Resolution Plan approved by the European Commission

Funding & Liquidity

State Guarantee Issuance - Capital Markets Funding

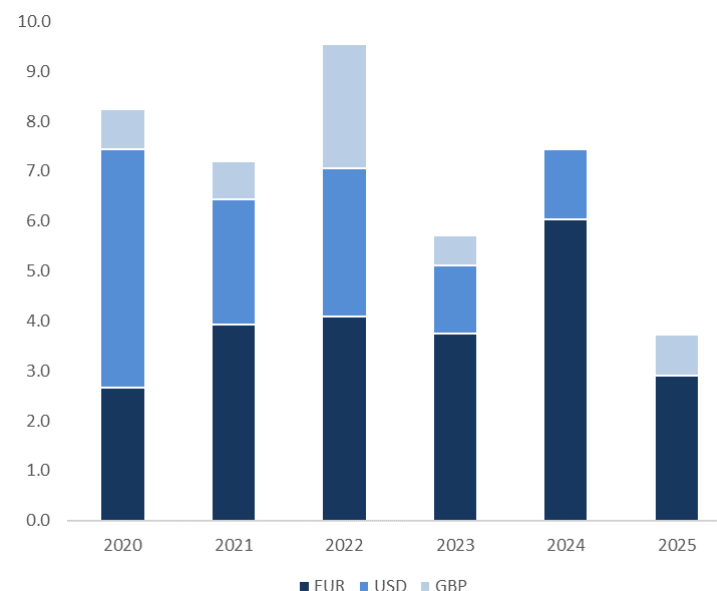
Highlights

- **For 2020, long term funding program of EUR 4.5bn**
- Firm anchorage in SSA landscape due to:
 - Explicit State Guarantee funding
 - HQLA Level 1 status
- Execution strategy:
 - Benchmark transactions to maintain liquid curves
 - Private placement activity currently inactive
- Liquidity of the bonds is carefully monitored

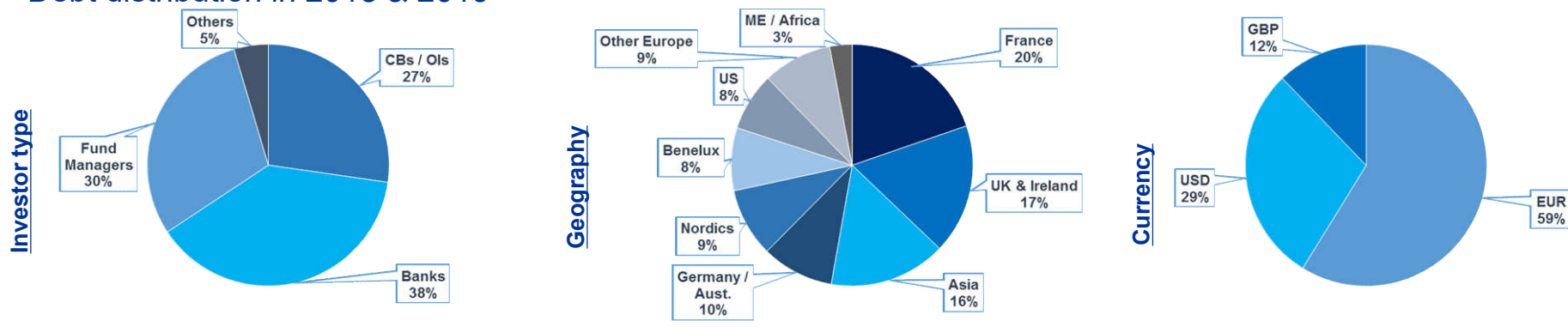
In 2019, EUR 7.1bn issued

- 5 benchmark transactions in EUR, USD and GBP
- Average duration of 4.9 years

Redemption profile of outstanding issuances



Debt distribution in 2018 & 2019



Funding & Liquidity

State Guarantee Issuance - Commercial Paper programs

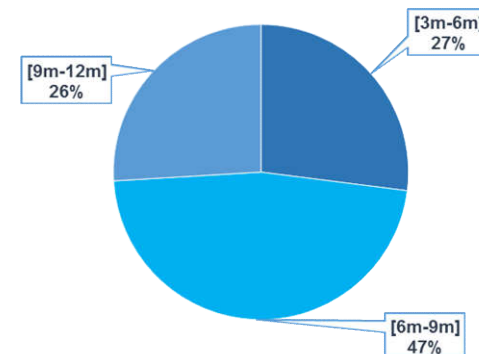
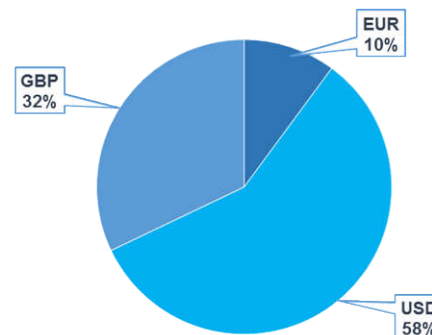
Highlights

- Objective: managing short-term liquidity
- For 2020, average outstanding targeted at EUR 12.5bn**
- Frequent issuer in EUR, USD and GBP
- Investor base : Central Banks, Official Institutions and Money market funds

In 2019, EUR 25.6bn issued through 232 transactions

- Average outstanding of EUR 18.9bn
- Average ticket size of EUR 110m eq.
- Average duration of 7.2 months

Outstanding by currency and initial duration



Overview of the programs

Program	European Commercial Paper	US Commercial Paper	NEU Commercial Paper
Issuer	Dexia Crédit Local		
Ratings	F1+ / P-1 / A-1+		
Max program size	EUR 30bn	USD 10bn	EUR 20bn
Governing law	English law	State of NY law	French law
Tenors	1 - 364 days	1 - 397 days	1 - 365 days
Currencies	EUR, USD, GBP, CHF, CAD, JPY	USD	EUR, USD, GBP, CHF, CAD, JPY
Issuance volume in 2019	EUR 20.5bn	USD 4,0bn	EUR 0,5bn
Number of transactions	154	23	15
Average ticket	EUR 133m	USD 174m	EUR 31m
Average initial duration	221 days	173 days	189 days
Outstanding as of 31.12.19	EUR 11.8bn	USD 4.0bn	EUR 0.2bn

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Fixed Income Investor Presentation

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Dexia Crédit Local

Issuer with an Explicit State Guarantee

Fixed Income Investor Presentation

Appendices



DEXIA

Appendices

2013 Funding State Guarantee Mechanism

Process

- No acceleration of payment. Guarantee calls leading to payment obligations of the States only in accordance with the normal payment schedule of the Guaranteed Obligations (“Pay as you go”)
- Call by any Third-Party Beneficiary or Security Holder, or any proxy holder, agent, settlement institution or trustee acting for the account of the former, on the Guarantee by simple notice delivered to each of the States within 90 days after the date of non-payment by DCL
- Third-Party Beneficiaries or Security Holders not required, in the context of securities and financial instruments, to exercise the Guarantee, to make any demand against DCL, to take any action against DCL or to file claims in any insolvency proceedings relating to DCL
- Regular guarantee payment period of 5 days for all debt issuance except USD short term funding (< 365 days) which may benefit from a shorter 3 days period
- Guarantee drawn up in French and in English, both languages being equally binding
- Guaranteed Debt outstanding to be followed on: www.nbb.be/DOC/DQ/warandia/index.htm

Scope

- **Eligible Financing** : funding raised in the form of securities and financial instruments, deposits or borrowings (Deposits, CP, CD, Notes, Bonds, Loans, Interbank Overdraft and Fiduciary Deposits)
- **Eligible Investors** : Qualified Investors (as per European Directive), Qualified Institutional Buyers, Accredited Investors, Central Banks, Credit Institutions (as per European Directive), social security and assimilated organizations, state-owned enterprises, public or semi public authorities, supranational and international institutions, financial holding companies, investments firms, other approved or regulated, financial institutions, insurance companies, retirement institutions
- **Available currencies** : EUR, USD, GBP, CHF, CAD, JPY

Appendices

Ratings¹

State Guaranteed Debt

	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	AA-		F1+
Moody's	(P)Aa3	Stable	P-1
Standard & Poor's	AA		A-1+

"Dexia Credit Local is progressing well with its orderly wind-down: Accelerated asset sales, combined with favorable market conditions, have helped strengthen its capital well beyond our expectations."

Standard & Poors – 22 June 2018

"Based on the projected financials presented in its orderly resolution plan, the group should maintain a regulatory capital ratio above the minimum requirements over the runoff period."

Moody's – 17 April 2018

Senior Unsecured Debt

	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
<i>Moody's – Counterparty Risk (CR) Assessment</i>	<i>Baa3(cr)</i>		<i>P-3(cr)</i>
Standard & Poor's	BBB	Stable	A-2

"Belgium and France's sizeable investment in Dexia (group's equity, and funding guarantees granted to DCL for up to EUR85bn) represent a very strong incentive for the authorities to provide additional support, if required. "

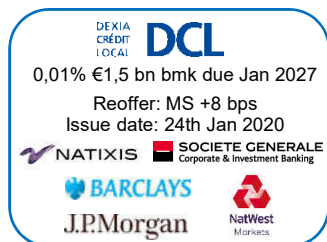
Fitch – 09 January 2018

(1) A severity rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agencies

Appendices

2020 State Guaranteed Public Benchmarks

State Guaranteed Benchmarks in EUR








Appendices

2019 State Guaranteed Public Benchmarks

State Guaranteed Benchmarks in EUR






DEXIA
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LOCAL **DCL**

0.625% €1.5 bn bmk due Jan 2026
Reoffer: MS +24bps
Issue date: 17th Jan 2019

 
 
 Corporate & Investment Banking

DEXIA
CRÉDIT
LOCAL **DCL**





0% €2bn bmk due May 2024
Reoffer: MS +5bps
Issue date: 29th May 2019

State Guaranteed Benchmarks in USD





DEXIA
CRÉDIT
LOCAL **DCL**

2.875% \$1.25bn bmk due Jan 2022
Reg S / 144A
Reoffer: MS +25bps / T+37bps
Issue date: 29th Jan 2019

DEXIA
CRÉDIT
LOCAL **DCL**




1.625% \$1.5bn bmk due Oct 2024
Reg S / 144A
Reoffer: MS+38 bps / T+35,7 bps
Issue date: 16th Oct 2019

 Corporate & Investment Banking 
 

State Guaranteed Benchmarks in GBP

DEXIA
CRÉDIT
LOCAL **DCL**

1.375% £1bn bmk due Dec 2022
Reoffer: UKT Sept 22 + 61bps
Issue date: 7th May 2019

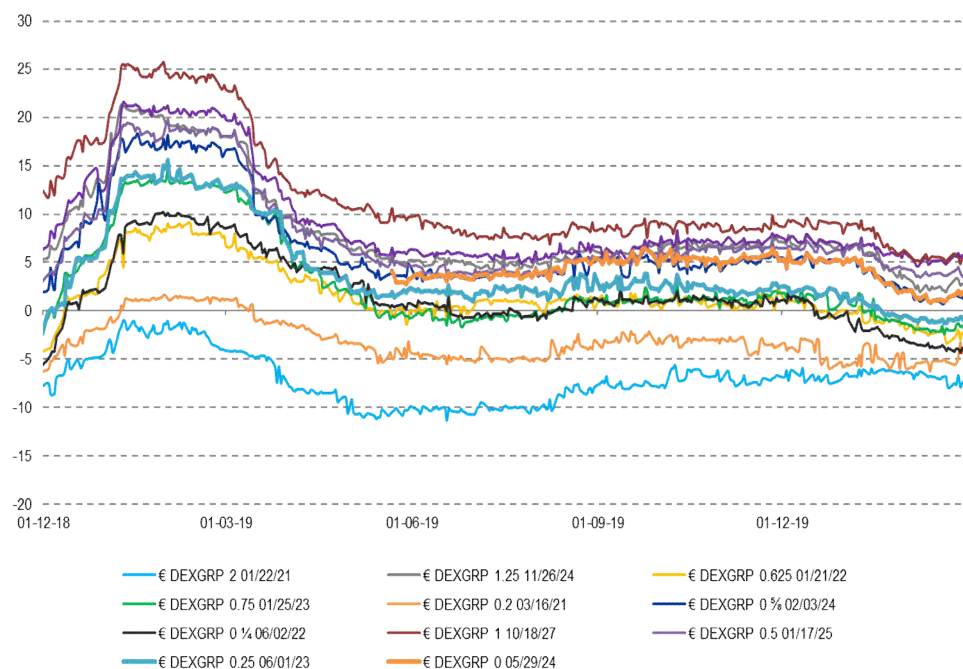
 


Funding & Liquidity

State Guaranteed Bonds Secondary Market Levels

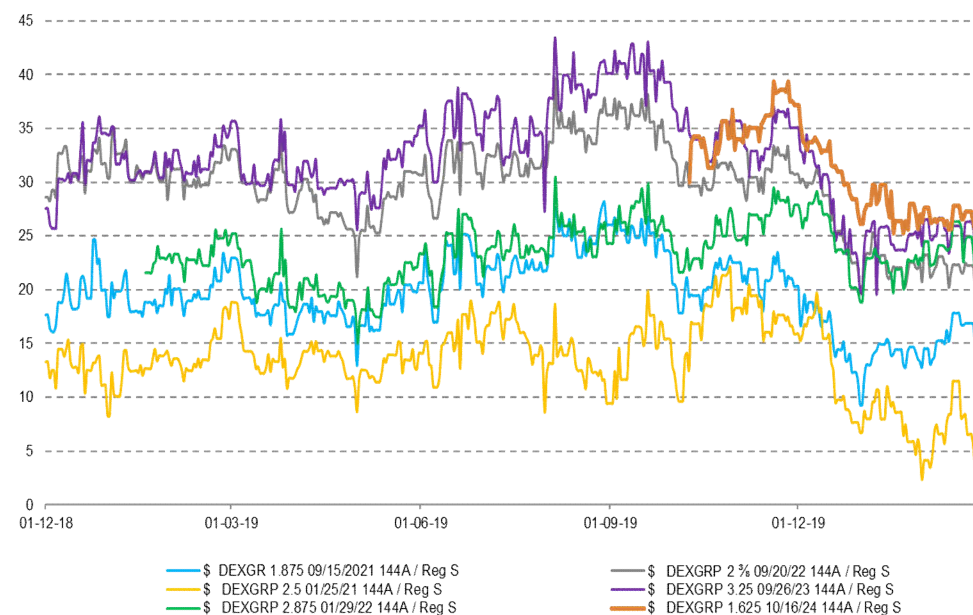
EUR

Spread vs MS (bps)



USD

Spread vs MS (bps)



Appendices

Results FYE 2019 – Dexia SA

Net result
Group share



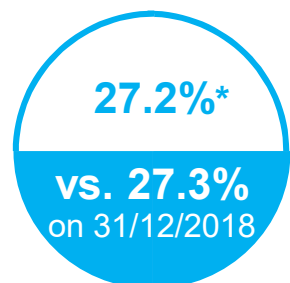
- **Recurring elements : EUR -28m**
 - Net banking income at EUR -19m, reflecting an increased transformation cost and a net margin affected by persisting **low interest rates**
 - EUR -62m in **regulatory taxes and contributions**
 - **Positive cost of risk** at EUR +265m
- **Accounting volatility : EUR -15m**
- **Non recurring elements : EUR -855m**
 - EUR -403m of losses linked to **active balance sheet management**
 - EUR -314m related to the **change in business model**
 - Net impact resulting from the **sale of DKD** (EUR -115m)

Balance
sheet



- **Balance sheet down 24%, or EUR -38.5bn** compared to end-2018
- **Assets portfolios at EUR 49bn**
- Impact of the **sale of Dexia Kommunalbank Deutschland and of the asset sales**

Solvency



- **Total capital ratio stable at 27.2% yoy**
- Impact of the **negative net result** for the year (**EUR -898m**) offset by a **significant reduction of credit risk-weighted assets (EUR -5.6bn)** mainly due to the deleveraging strategy

* Total Capital ratio

Appendices

Disposal Process

Disposal of major franchises	Status	Main characteristics
Dexia Bank Belgium (renamed Belfius)	Closed 20/10/2011	<ul style="list-style-type: none"> ▪ Sale price EUR ~4 billion
RBC Dexia Investor Services	Closed 27/07/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 838 million
DenizBank	Closed 28/09/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 3,024 million ▪ Balance sheet reduction of EUR ~18 billion
Banque Internationale à Luxembourg	Closed 05/10/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 730 million ▪ Scope of disposal excluding Legacy Division assets and holdings in Parfipar and RBC Dexia ▪ Balance sheet reduction of EUR ~12 billion
Société de Financement Local	Closed 31/01/2013	<ul style="list-style-type: none"> ▪ Disposal for 1 euro ▪ No guarantee given on assets sold ▪ Balance sheet reduction of EUR ~84 billion
Dexia Asset Management	Closed 3/02/2014	<ul style="list-style-type: none"> ▪ Sale price EUR 380 million
58.9% participation in Dexia Israël	Closed 18/03/2018	<ul style="list-style-type: none"> ▪ Sale price EUR 82 million
DKD (Kofiba)	Closed 30/04/2019	<ul style="list-style-type: none"> ▪ Sale price EUR 352 million ▪ Balance sheet reduction of EUR ~24 billion
Other disposals	Status	Sale price
DKB Polska	Closed 13/03/2013	<ul style="list-style-type: none"> ▪ EUR 13.7 million
Dexia Bail	Closed 02/04/2013	<ul style="list-style-type: none"> ▪ EUR 1 million
Public LLD	Closed 06/09/2013	<ul style="list-style-type: none"> ▪ EUR 0.4 million
Sofaxis	Closed 30/09/2013	<ul style="list-style-type: none"> ▪ EUR 136 million
Domiserve	Closed 04/10/2013	<ul style="list-style-type: none"> ▪ EUR 2.3 million
ADTS	Closed 06/12/2013	<ul style="list-style-type: none"> ▪ EUR 1.2 million
Popular Banca Privada	Closed 19/02/2014	<ul style="list-style-type: none"> ▪ EUR 49.2 million