

# Webcast Dexia | 4 July 2023

Dexia applies for the withdrawal of its banking license and authorisations for investment services



DEXIA

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# Dexia on a path to abandon its banking license



- Filing of an application with the Autorité de Contrôle Prudentiel et de Résolution (ACPR) on 4 July 2023 to **abandon the credit institution licence and authorisations for investment services of Dexia Crédit Local and the financing company authorisations of Dexia Flobail and Dexia CLF Régions Bail**
- Continuation of the **orderly resolution of the Group as a non-bank as from the beginning of 2024**, subject to obtaining the consent of the competent authorities
- Withdrawal of banking licences enabling the **further rationalisation of Dexia's activities and a simplification of its operations** as a source of savings

# Dexia has been executing its Orderly Resolution Plan since end of 2011

31<sup>st</sup> December 2011

31<sup>st</sup> December 2022



## Orderly Resolution Plan

**Dexia and Dexia Crédit Local have entered into resolution since end of 2011.** Validated in December 2012 by the European Commission, the Orderly Resolution Plan consists in:

- **Divesting commercial franchises**
- **Managing the run-off of the portfolio without any additional activities**

## Mission

During the last ten years, Dexia did not have any new commercial activity and solely focused on managing its portfolio in run-off, mainly composed of public sector assets and government bonds. To fulfil this mission, Dexia has set **3 strategic objectives**:

- 1 Maintain the ability to refinance its balance sheet**
- 2 Preserve its capital base** in order to comply with regulatory ratios
- 3 Ensure operational continuity**

## Support from States

In 2012, shareholders States have supported Dexia through:

- **A capital increase of €5.5Bn** bringing the share of Belgium and France to resp. 52.78% and 46,81%
- **A funding guarantee**

# In 2012, keeping a banking license was essential to execute the Orderly Resolution Plan



## Avoiding any systemic risk

Dexia represented a **systemic risk for European financial markets** given:

- Its ~€400Bn balance sheet as of end of 2011
- Its extensive off-balance sheet derivatives with a large number of counterparties
- Its activity of financing the European local public sector, mainly in France and Italy



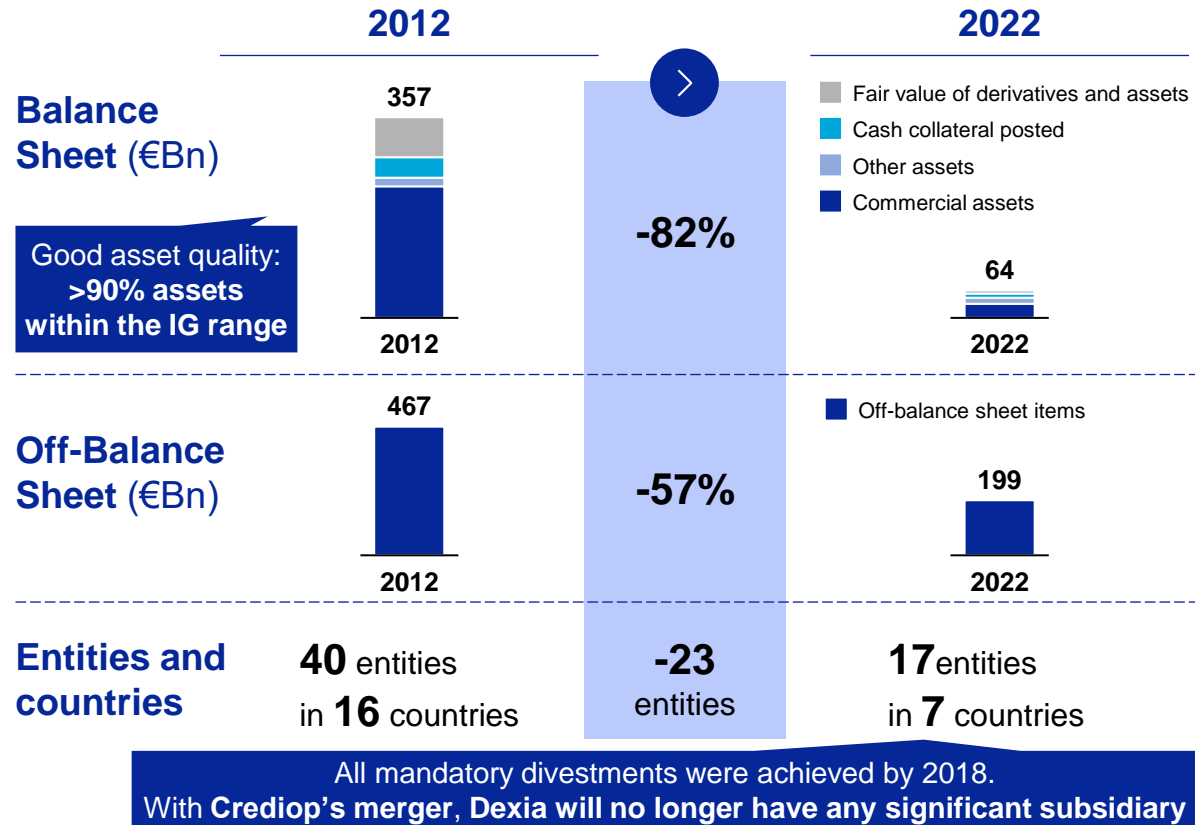
## Securing funding

Dexia Crédit Local was highly dependent on Central Bank funding and needed to **maintain an access to Eurosystem mechanisms**, in addition to its other funding sources

The preservation of Dexia Crédit Local's banking license was essential when the Group entered the resolution process. However, its withdrawal was part of the roadmap validated by the European Commission in 2012 towards the longer-term resolution

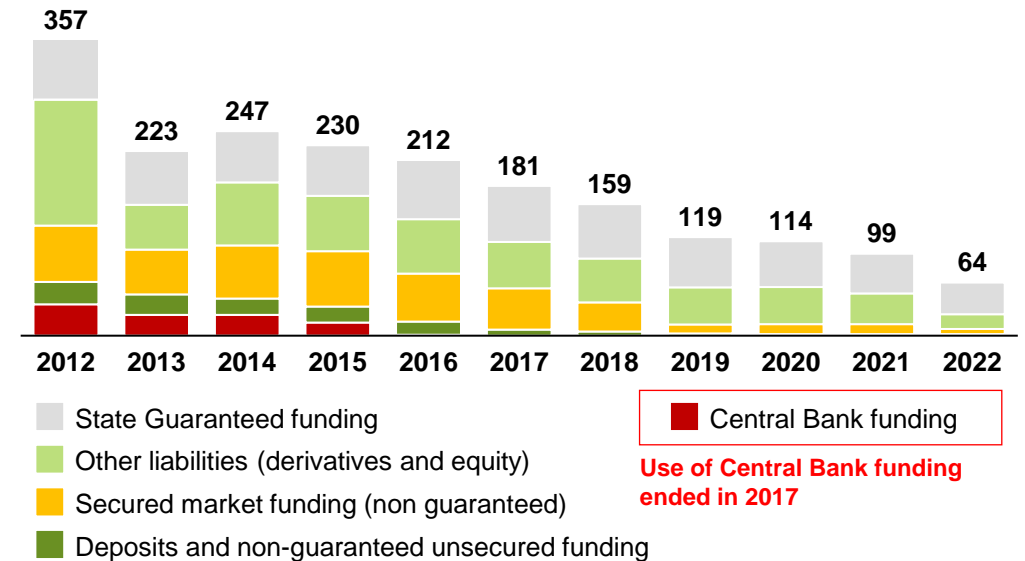
# After ten years executing its Orderly Resolution Plan...

...Dexia has significantly reduced its footprint...



... and Dexia has considerably improved its liquidity position and no longer depends on Eurosystem's refinancing mechanisms

Funding mix (€Bn)



The benefits that justified maintaining Dexia Crédit Local's banking license in 2012 no longer apply and Dexia is able to continue its resolution outside the regulatory framework

# A decision that will preserve Dexia's operational continuity

1

## Funding capacity

Belgian and French **States funding guarantee** maintained  
**HQLA L1 eligibility** retained  
Setting up of an additional **contingency liquidity buffer**

2

## Ability to keep robust risk monitoring and management

**Robust risk management framework** maintained  
Setting up of an **independent Surveillance Committee** that will take over from the banking supervisors

## Capacity to pursue the Orderly Resolution Plan

Further ability to **manage the run-off of the balance sheet**  
Ability to pursue **market activities necessary to the resolution**  
Retention of a **direct access to clearing houses** and **main trading venues**

# 1 Zoom on Dexia Crédit Local's funding capacity as a non-bank

## Issuance of guaranteed debt keeping the HQLA L1 qualification

Dexia Crédit Local will continue to refinance its balance sheet **notably through the issuance of State-guaranteed debt**

All GGBs issued by Dexia Crédit Local under this State-guarantee, will **keep the HQLA Level 1 qualification** (for debt already issued and to be issued after debanking)

## Contingency buffer

Dexia Crédit Local will rely on **an additional contingency buffer**, as from Q1 2024, as Dexia will no longer be able to access the Emergency Liquidity Agreement (ELA) provided by National Banks as a non-bank entity

Dexia will keep the **ability to refinance its balance sheet** under appropriate conditions and volumes and to **face stressed market conditions** by maintaining a liquidity buffer and an additional contingency buffer



# 1 Zoom on the features of the State funding guarantee

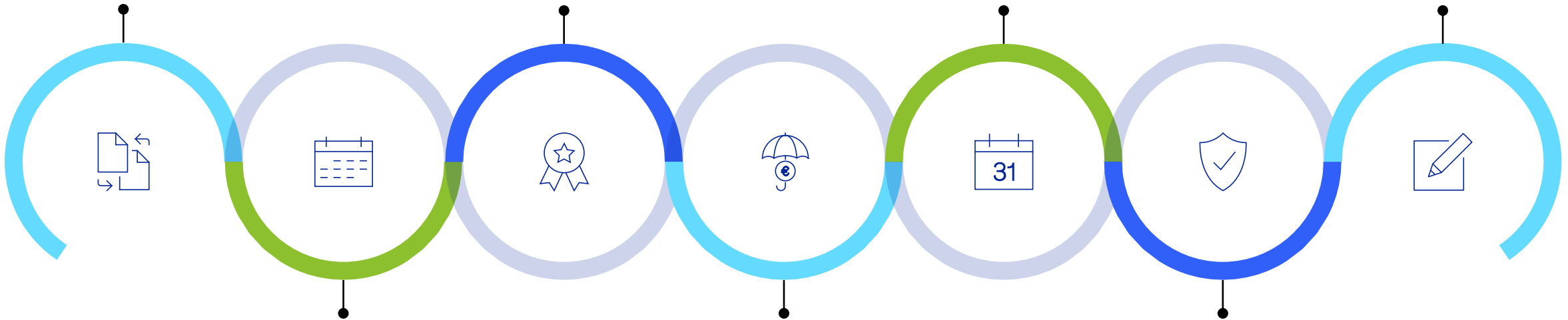


Several, not joint, first demand, unconditional, irrevocable

Shared **53% Belgium** (AA / Aa3 / AA-) and **47% France** (AA / Aa2 / AA-)

Maximum maturity of 10 years for securities issued under the guarantee and issuance period until 31 December 2031

State guaranteed debt rated<sup>1</sup> **AA / Aa3 / AA-** and **A-1+ / P-1 / F1+**



Extended in 2021 for a **10-year period** (effective as from 1 January 2022)<sup>2</sup>

**Ceiling of €75Bn in principle** (well above Dexia's funding need)<sup>3</sup>

Confirmation of **0% RW** and **HQLA L1 eligibility** for State-guaranteed debt

1. Rating details are provided in appendix

2. The extension of the State guarantee was approved by the European Commission in September 2019

3. Outstanding State guaranteed amount of EUR 37 billion as at 29 June 2023

# 2 Zoom on the Risk Management Framework

This system will maintain three lines of defence, including compliance monitoring and AML control procedures, as well as an internal audit mechanism. It will be based, as it is today, on a risk appetite framework (RAF) and appropriate monitoring indicator.



## Solvency

Dexia will see to it that solvency is ensured in the short, medium and long term by:

- **Maintaining a level of capital sufficient to face potential risks and address adverse market conditions**
- **Preserving the best possible funding conditions**



## Liquidity

Dexia will maintain its liquidity via:

- A number of indicators, including stressed and unstressed **liquidity survival horizons** in each relevant currency
- **Liquidity buffers** which will be calibrated to cope with stressed market situations and thus avoid calling on the funding guarantee granted by the Belgian and French governments



## Asset Liability Management (ALM)

Dexia will maintain Asset Liability Management (ALM) in order to **measure and control the interest rate, exchange rate and liquidity risks on its balance sheet**



## Operational risks

Dexia will maintain the **necessary expertise to continue the orderly resolution and the employability of Dexia staff members will remain a major point of attention**. Dexia will ensure that staff members are regularly informed of their prospects and that their uncertainty is reduced during the transformation

Dexia will ensure that risks linked to **relations with service providers** and **access to market infrastructures** are contained

Operational risks must never significantly **affect the Group's ability to manage its short-term liquidity or solvency or jeopardise business continuity**

# 2 Zoom on the Independent Surveillance Committee

An independent Surveillance Committee will take over from the banking supervisors, particularly in terms of risk and internal control monitoring

## Composition

**Members** evenly appointed by Belgian and French States

**4-year mandates**

**Strong expertise in banking supervision**

'Comply or explain' policy will apply to opinion and recommendations made by the Surveillance Committee to the Board of Directors

## Mission

Dexia's overall governance structure will remain unchanged

- **Issue an opinion on compliance with fit and proper requirements** by candidates for the positions of members of the Board, the Management Board and candidates for the positions of heads of internal control functions;
- **Issue technical opinions on the assessment of Dexia Group's** risks regarding asset and derivative portfolios, the funding structure and the solvency and liquidity positions;
- **Issue an opinion in case of shortcoming** concerning quantitative data quality, quality of tools for monitoring risks and internal control organisation and systems;
- **Issue an opinion on risks associated with any project** the impact of which on Dexia's balance sheet, P&L, equity or liquidity **could lead to the crossing of warning thresholds** in the short, medium or long term;
- **Alert** the Board of Directors when **Dexia's strategic decisions**, or their execution suggest **incompatibility with the orderly resolution plan or the risk appetite framework**.

# A decision enabling the implementation of a model better suited for pursuing Dexia's orderly resolution

3

## Streamlined organization

**Simplifying regulatory production**, as a non-bank

**Transforming the operating model**

**Capturing additional cost savings**

## Adequate funding scheme

**Securing 2 key funding pillars:**

- **State-guaranteed funding with HQLA L1 eligibility**
- **Short-term repos** (by maintaining direct access to repo platforms)

# 3 Zoom on the funding toolbox

	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 <sup>1</sup> NEU CP	EMTN USMTN <sup>1</sup>	GMRA

1. Subject to the SEC approval

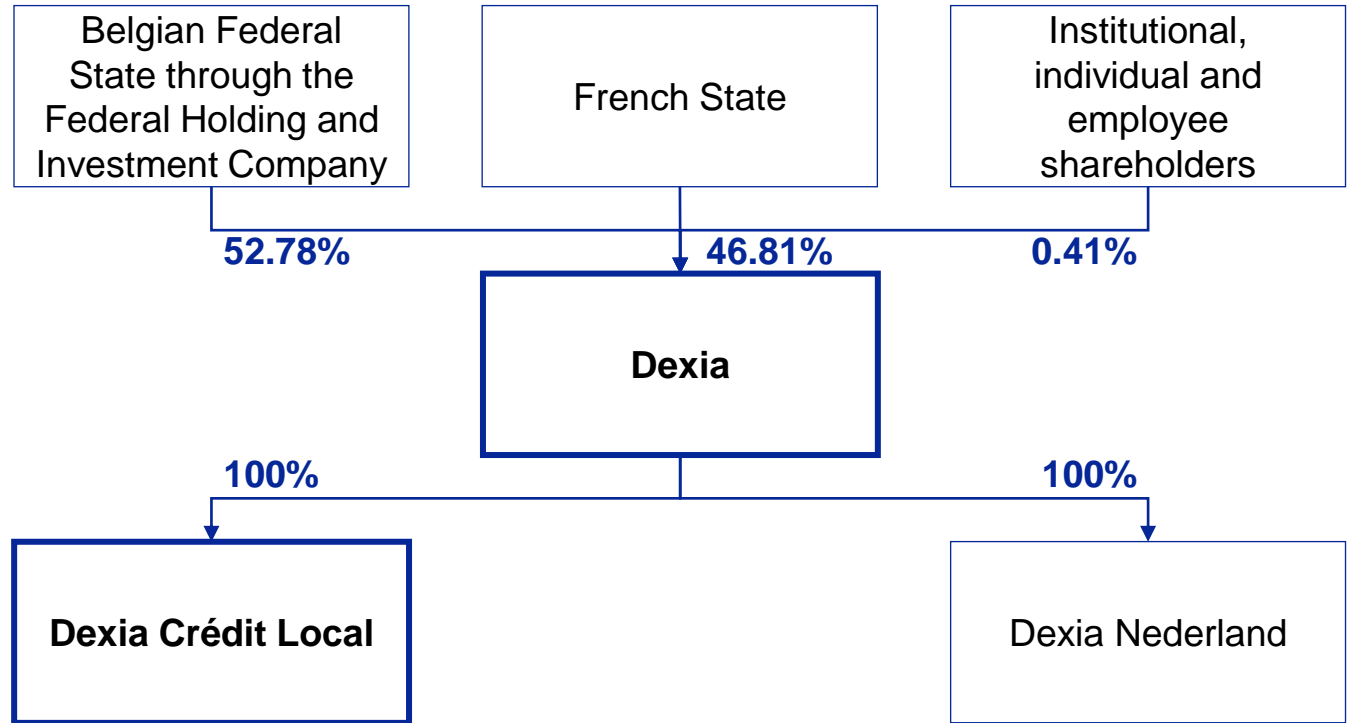
# Dexia's profile as a non-financial entity

## Status

**Dexia Crédit Local remains a limited company** (“Société anonyme”) under French Law **and the Group's issuing entity**

**Dexia SA will cease to be a financial company under Belgian law**

## Structure



Dexia will be able to continue the activities essential to its orderly resolution, while being more agile in managing its cost trajectory and continuing to evolve within a secure framework

# Appendix

# Ratings as at 30 June 2023

<b>State Guaranteed Debt</b>	Long term	Outlook	Short term
<b>Dexia Crédit Local</b>			
Fitch	AA-		F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA		A-1+

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

“The stable outlook reflects our expectation that the bank will implement an orderly wind-down of its operations and continue to benefit from the strong commitment of the Belgian and French governments in this process over the next two years. The ratings already factor in our expectation that, although DCL will be loss-making for several years, its capitalization will adequately cover risks, as deleveraging continues..”

## Standard & Poor's – 2 Febr 2022

“Significant efforts have been deployed in 2021 to reduce the results' sensitivity to variation in market parameters by reducing

the number of derivative operations and hedging basis risks. This will lead to much less accounting volatility in Dexia's results going forward”

## Moody's – 25 July 2022

“Fitch considers that there is a high probability that additional support would be provided to DCL by Belgium and France, if required, to complete the orderly wind-down of the company.”

## Fitch – 14 Nov 2022

(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



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