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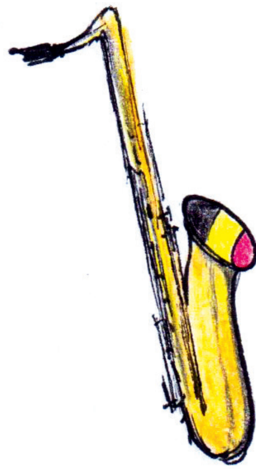

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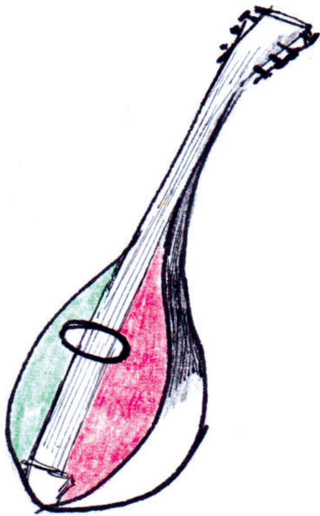
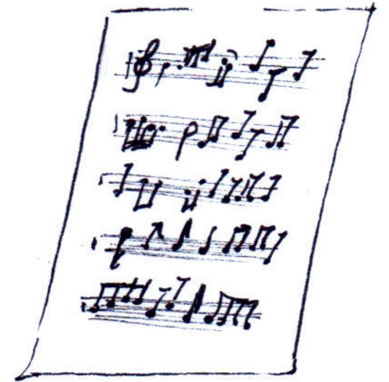


RISK REPORT

PILLAR 3 OF BASEL III



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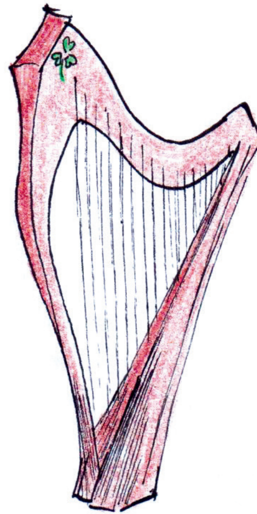

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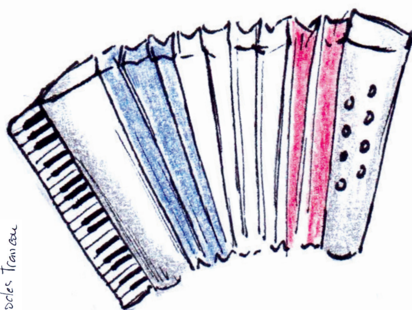
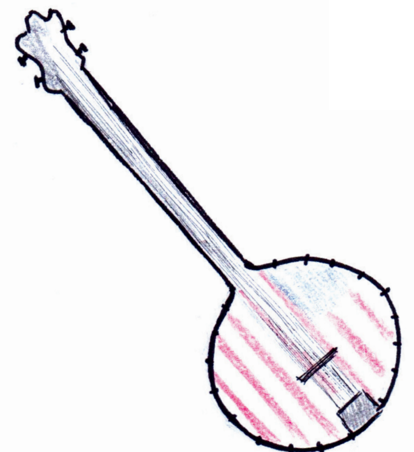


DEXIA



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Declaration on the publication requirements of Pillar 3

The Management Board and the Board of Directors of Dexia are responsible for the effective implementation and maintenance of formal policies and procedures, systems and internal control for the institution's financial publications, including this Pillar 3 report.

We undersigned, Giovanni Albanese, Chief Risk Officer and Véronique Hugues, Chief Financial Officer, certify that to the best of our knowledge:

a) the Pillar 3 report takes into account the publication requirements of Pillar 3 of the Basel agreements, transposed into European law through regulation (EU) No 575/2013 (CRR) amended by regulation No 2019/876 of 20 May 2019 (CRR2) and directive 2013/36 /EU (CRD IV) amended by directive 2019/878/EU of 20 May 2019 (CRD V);

b) the reported information in the Pillar 3 as at 30 June 2021, was subjected to the same level of internal control as the information in the Financial Report.

Paris, 31 October 2021

For the Management Board of Dexia

Giovanni Albanese
Chief Risk Officer

Véronique Hugues
Chief Financial Officer

1. Introduction

Basel III is the response of the Basel Committee on Banking Supervision (BCBS) to the financial crisis, which revealed some deficiencies in the Basel II regulation as to the appropriate measurement of credit risk.

As a result, the Basel Committee undertook a comprehensive set of reform measures, known as the Basel III reform, aimed at strengthening the regulation, supervision and risk management of the banking sector.

In 2013, the European Parliament and Council adopted a set of measures to implement the Basel III reform within the EU legal framework. Taking effect on 1 January 2014, with some provisions which were phased in between 2014 and 2019, the Capital Requirement Regulation (CRR) and the Capital Requirement Directive IV (CRD IV) form the common regulatory bases for all Member States in implementing Basel III capital requirements. The CRR contains detailed prudential requirements for credit institutions and investment firms while the CRD IV was transposed by Member States into their respective national legal frameworks.

The Basel III capital standards have significantly changed the minimum requirements framework by introducing:
- new capital definition and capital buffers,
- liquidity and stable funding requirements,
- governance requirements,
- a leverage ratio to complement the risk-weighted framework and restrict the build-up of excessive leverage,
- own funds for Credit Valuation Adjustment (CVA) risk,
- additional disclosure for large exposures.

The general framework defined by Basel II, which is developed around three Pillars, was upheld.

The first Pillar, related to minimum capital requirements, defines the way banking institutions calculate their regulatory capital requirements in order to cover credit risk, market risk and operational risk. The framework provides different approaches for calculating:
- credit risk through three different approaches: Standard Approach, Foundation Internal Rating-Based Approach and Advanced Internal Rating-Based Approach,
- market risk through two approaches: Standard Approach and Internal Model Approach,
- operational risk through three approaches: Basic Indicator Approach, Standard Approach and Advanced Measurement Approach.

Regarding credit risk, since the first quarter of 2020 Dexia has been authorised by its supervisors to move from the Advanced Internal Rating-Based Approach (AIRB Approach) to the Standard Approach for the determination of its regulatory capital requirements under the Basel III Pillar 1 for credit risk and for the calculation of its solvency ratios.

This is applicable to all entities and subsidiaries consolidated within the Dexia Group, which are established in a Member State of the European Union and subject to the Capital Requirement Directive.

However, the ex-AIRB models continue to be used for risk management purposes.

In terms of market risk, Dexia calculates its capital requirements on the basis of both the Internal Model Approach and the Standard Approach for general interest rate risk, specific interest rate risk and foreign exchange risk.

For operational risk, Dexia applies the Standard Approach. Incident collection and reporting take place on a regular basis and the Risk and Control Self-Assessment (RCSA) process covers the entire bank, including foreign subsidiaries and branches.

The aim of the Pillar 2 internal processes as recalled by the EBA is "to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning." Pillar 2 can be divided into two major components:

- The Internal Capital Adequacy Assessment Process (ICAAP) aimed at establishing sound, effective and complete strategies and processes to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital commensurate to Dexia's risk profile, as well as robust governance and internal control arrangements.
- The Supervisory Review and Evaluation Process (SREP). The purpose of the SREP is to ensure that Dexia has adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of its risks, to which it is or might be exposed, including those revealed by stress-testing.

Dexia has developed adapted and proportionate capabilities to address all Pillar 2 requirements under its orderly resolution plan and keeps its supervisors closely informed of all related developments.

The third Pillar, market discipline, encourages market discipline by developing a set of qualitative and quantitative disclosures which will allow market participants to make a better assessment of capital, risk exposure, risk assessment processes, and hence the capital adequacy of the institution.

An internal validation process at a Dexia level guarantees the quality of the information provided with the Management Board being responsible for the final validation of the Pillar 3 disclosure and the Chief Risk officer and the Chief Financial Officer jointly certifying the accuracy of Dexia's reporting. Statutory Auditors' approval is not required.

Dexia Crédit Local, as an institution controlled by a EU parent financial holding company, must fulfil the obligations laid down in Part Eight of the CRR in the framework of Pillar 3 disclosure requirements under the Basel III capital framework on the basis of the consolidated situation of the financial holding company. This consolidation is achieved by Dexia located at Tour Bastion, Place du Champ de Mars 5, B-1050 Brussels, Belgium.

The Pillar 3 report has been published by Dexia on an annual basis since 2008.

The information disclosed through this half-year report takes into account the publication requirements of Pillar 3 of the Basel agreements, transposed into European law through regulation (EU) No 575/2013 (CRR) amended by regulation No 2019/876 of 20 May 2019 (CRR2) and directive 2013/36 /EU (CRD IV) amended by directive 2019/878/EU of 20 May 2019 (CRD V).

This information is published on a consolidated basis (Article 13 of the CRR) and it corresponds to the elements required in the eighth part of the CRR (Articles 431 and following).

Dexia releases the Risk Report – Pillar 3 of Basel III on its website: www.dexia.com

The figures in the tables displayed in this report are provided in millions of euros (EUR) and as at 30 June 2021, unless otherwise stated.

2. Key metrics and overview of risk-weighted exposure amounts

Dexia monitors its solvency using rules established by the Basel Committee on Banking Supervision and European Directive CRD IV. On the other hand, the Group ensures observance of the capital requirements imposed by the European Central Bank (ECB), within the framework of Pillar 2 of Basel III, following the Supervisory Review and Evaluation Process (SREP).

On 7 January 2021, the ACPR informed Dexia that in the absence of significant changes in its risk profile and in order to take into account the exceptional circumstances created by the current health crisis, the total capital requirement of 11.25% on a consolidated basis was maintained in 2021. This level includes a minimum capital requirement of 8% (Pillar 1) and an additional 3.25% capital level (P2R – Pillar 2 requirement) to be covered by at least 56.25% Common Equity Tier 1 and 75% Tier 1 capital. As a reminder, within the framework of the fight against the crisis caused by the Covid-19 epidemic, the ECB introduced in 2020 a series of temporary measures to ease capital requirements under the SREP. These measures resulted in the relaxation of the capital conservation buffer (CCB) and additional capital (P2G - Pillar 2 guidance). In conjunction with the ECB's announcement, some national authorities such as France and the United Kingdom also reset the countercyclical buffer to zero. Without these easing measures, the capital requirement applicable to Dexia would increase to 15.25% on a consolidated basis, including a CCB of 2.5%, a P2G of 1% and a countercyclical buffer of 0.5%.

On 5 February 2021, the ACPR also confirmed to Dexia the provisional maintenance of a tolerance which allows Dexia to deduct from its CET1 regulatory capital the economic impact of remedying a breach of the large exposure ratio for a sovereign exposure.

2.1. EU KM1 – Key metrics template

(in EUR million)		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,588	6,684	6,795	6,613	6,365
2	Tier 1 Capital	6,597	6,693	6,814	6,633	6,384
3	Total Capital	6,684	6,780	6,891	6,709	6,461
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	23,134	23,146	24,196	25,405	27,175
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	28.48%	28.88%	28.08%	26.03%	23.42%
6	Tier 1 ratio (%)	28.52%	28.92%	28.16%	26.11%	23.49%
7	Total Capital ratio (%)	28.89%	29.29%	28.48%	26.41%	23.78%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amounts)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%	3.25%	0.81%	3.25%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.83%*	*1.83%*	*1.83%*	*1.83%*	*1.83%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*2.44%*	*2.44%*	*2.44%*	*2.44%*	*2.44%*
EU 7d	Total SREP own funds requirements (%)	11.25%	11.25%	11.25%	11.25%	11.25%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0%	0%	0%	0%	0%
9	Institution specific countercyclical capital buffer (%)	0%	0%	0%	0%	0%
EU 9a	Systemic risk buffer (%)	0%	0%	0%	0%	0%
10	Global Systemically Important Institution buffer (%)	0%	0%	0%	0%	0%

(in EUR million)		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
EU 10a	Other Systemically Important Institution buffer	0%	0%	0%	0%	0%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	13.75%	13.75%	13.75%	13.75%	13.75%
12	CET1 available after meeting the total SREP own funds requirements (%)	22.15%	NA	NA	NA	NA
	Leverage ratio					
13	Total exposure measure	82,066	78,032	82,575	81,365	84,547
14	Leverage ratio (%)	8.04%	8.58%	8.25%	8.15%	7.55%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	NA	NA	NA	NA
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0%*	*NA*	*NA*	*NA*	*NA*
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	NA	NA	NA	NA
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0%	NA	NA	NA	NA
EU 14e	Overall leverage ratio requirements (%)	3.00%	NA	NA	NA	NA
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	14,971	16,103	16,816	14,202	15,028
EU 16a	Cash outflows - Total weighted value	7,361	8,392	8,431	8,108	8,531
EU 16b	Cash inflows - Total weighted value	1,242	2,856	859	1,062	1,461
16	Total net cash outflows (adjusted value)	6,120	5,535	7,572	7,045	7,070
17	Liquidity coverage ratio (%)	244.63%	290.91%	222.08%	201.59%	212.55%
	Net Stable Funding Ratio					
18	Total available stable funding	44,235	NA	NA	NA	NA
19	Total required stable funding	25,767	NA	NA	NA	NA
20	NSFR ratio (%)	171.68%	NA	NA	NA	NA

2.2. EU KM1 bis template

As Dexia decided to apply transitional arrangements regarding Expected Credit Losses recognised under IFRS 9, the table below discloses the amount of own funds, the amount of Common Equity Tier 1 capital, the amount of Tier 1 capital, the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the total capital ratio and the leverage ratio with and without the application of the transitional arrangements.

		Quantitative template				
(in EUR million)		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,588	6,684	6,795	6,613	6,365
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,394	6,468	6,519	6,332	6,163
3	Tier 1 capital	6,597	6,693	6,814	6,633	6,384
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,403	6,478	6,539	6,351	6,182
5	Total capital	6,684	6,780	6,891	6,709	6,461
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,490	6,564	6,615	6,428	6,259
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	23,134	23,146	24,196	25,405	27,175
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23,013	23,006	24,024	25,226	27,012
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	28.48%	28.88%	28.08%	26.03%	23.42%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	27.78%	28.11%	27.14%	25.10%	22.81%
11	Tier 1 (as a percentage of risk exposure amount)	28.52%	28.92%	28.16%	26.11%	23.49%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	27.83%	28.16%	27.22%	25.18%	22.89%

Quantitative template						
(in EUR million)		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2020
13	Total capital (as a percentage of risk exposure amount)	28.89%	29.29%	28.48%	26.41%	23.78%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28.20%	28.53%	27.54%	25.48%	23.17%
	Leverage ratio					
15	Leverage ratio total exposure measure	82,066	78,032	82,575	81,365	84,547
16	Leverage ratio	8.04%	8.58%	8.25%	8.15%	7.55%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.80%	8.30%	7.92%	7.81%	7.31%

2.3. EU OV1: Overview of risk-weighted exposure amounts

The following table shows the risk-weighted assets (RWA) and own funds requirement as at 30 June 2021.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
(in EUR million)		30 June 2021	31 March 2021	30 June 2021
1	**Credit risk (excluding CCR)**	17,119	17,771	1,369
2	*Of which the standardised approach*	*16,776*	*17,382*	*1,342*
3	*Of which the Foundation IRB (F-IRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple riskweighted approach*	-	-	-
5	*Of which the Advanced IRB (A-IRB) approach*	-	-	-
6	**Counterparty credit risk - CCR**	3,304	2,656	264
7	*Of which the standardised approach*	*2,207*	-	*257*
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	*99*	-	*8*
EU 8b	*Of which credit valuation adjustment - CVA*	*671*	*854*	*54*
9	*Of which other CCR*	*326*	*1,802*	*(54)*
15	Settlement risk	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	821	843	66
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	*484*	-	*39*
19	*Of which SEC-SA approach*	-	-	-
EU 19a	*Of which 1250%/ deduction*	*337*	-	*27*
20	**Position, foreign exchange and commodities risks (Market risk)**	890	875	71
21	*Of which the standardised approach*	*551*	*521*	*44*
22	*Of which IMA*	*339*	*354*	*27*
EU 22a	**Large exposures**	-	-	-
23	**Operational risk**	1,000	1,000	80
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*51*	*51*	*4*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	1	-	0
29	**Total**	23,134	23,146	1,851

As at 30 June 2021, risk-weighted assets amounted to EUR 23.1 billion, of which EUR 20.4 billion for credit risk (including CCR), EUR 0.9 billion for market risk and EUR 1 billion for operational risk (including a buffer of EUR 0.9 billion).

Regarding Operational Risk, the Standard Approach is applied for the calculation of capital according to the regulation, based on net banking income per activity. This level of activity is however not directly relevant for reflecting Operational Risk in Dexia's run-off situation as the run rate decreases faster than the change in operational risk level. A buffer, benchmarked with the ICAAP operational risk stresses, is therefore added to capital allocated for Operational Risk.

3. Own funds

3.1. EU CC2 - Reconciliation of audited regulatory own funds to balance sheet in the non-audited press release

There is no difference between the consolidation scope for accounting and prudential purposes. The Dexia Group applies all rules with regard to the consolidation scope resulting from:

- IFRS 10 on the preparation and presentation of consolidated financial statements,
- IFRS 3 on business combinations and the impact of accounting methods on the consolidated financial statements,
- IAS 28 (revised) on Investments in associates and joint ventures,
- IFRS 11 on joint arrangements.

The policies laid down by these standards imply that all companies over which the Group exercises exclusive or joint control or notable influence must be consolidated. Consequently, all companies exclusively or jointly controlled, or over which the Group holds a notable influence, are consolidated.

Pursuant to the principle of a true and fair view of the Group's financial statements, any companies the contribution of which to the consolidated financial statements is not material shall not be included in the consolidation scope.

Entities are considered as non-significant when, at a consolidated level, the aggregate of their total assets, liabilities, equity and net income does not exceed 1% of the total of consolidated balance sheet and net income.

		Balance sheet as in published financial statements (same as under regulatory scope of consolidation)	**Reference (EU CC1)**
		30 June 2021	
	Assets - Breakdown by asset clases according to the balance sheet in the published financial statements		
1	Cash and central banks	9,032	Assets r1
2	Financial assets at fair value through profit or loss	10,238	Assets r2
3	Hedging derivatives	808	Assets r3
4	Financial assets at fair value through other comprehensive income	2,798	Assets r4
5	Financial assets at amortised cost - Debt securities	35,816	Assets r5
6	Financial assets at amortised cost - Interbank loans and advances	18,097	Assets r6
7	Financial assets at amortised cost - Customer loans and advances	25,156	Assets r7
8	Fair value revaluation of portfolio hedges	326	Assets r8
9	Current tax assets	31	Assets r9
10	Deferred tax assets	-	Assets r10
11	Accruals and other assets	200	Assets r11
11a	*of which Defined-benefit pension fund assets*	*0*	*Assets r11a*
12	Tangible fixed assets	25	Assets r12
13	Intangible assets	14	Assets r13
	Total assets	102,540	
	Liabilities and shareholders' equity		
	Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements		
1	Financial liabilities at fair value through profit or loss	10,958	Liabilities r1
2	Hedging derivatives	16,976	Liabilities r2
3	Interbank borrowings and deposits	7,934	Liabilities r3
4	Customer borrowings and deposits	7,813	Liabilities r4
5	Debt securities	51,656	Liabilities r5
6	Fair value revaluation of portfolio hedges	1	Liabilities r6
7	Current tax liabilities	1	Liabilities r7

		Balance sheet as in published financial statements (same as under regulatory scope of consolidation)	Reference (EU CC1)
		30 June 2021	
8	Deferred tax liabilities	89	Liabilities r8
9	Accruals and other liabilities	289	Liabilities r9
10	Provisions	174	Liabilities r10
11	Subordinated debt	20	Liabilities r11
	Total liabilities	**95,912**	
Shareholders' Equity			
1	Capital stock and related reserves	2,489	Equity r1
1a	*of which subscribed capital and share premium*	*2,400*	Equity r1a
1b	*of which statutory reserves*	*50*	Equity r1b
1c	*of which treasury shares*	*(1)*	Equity r1c
1d	*of which equity instruments other than subscribed capital*	*40*	Equity r1d
2	Consolidated reserves	4,645	Equity r2
2a	*of which transfer from share capital capital discharging the balance of deferred loss (2013)*	*5,500*	Equity r2a
2b	*of which other retained earnings*	*13,309*	Equity r2b
2c	*of which other reserves*	*(14,163)*	Equity r2c
3	Gains and losses directly recognised in equity	(357)	Equity r3
3a	*of which change in fair value of financial instruments measured at fair value through other comprehensive income, net of taxes*	*(94)*	Equity r3a
3b	*of which change in fair value related to gains or losses on cash flow hedges of financial instruments which are not valued at fair value, net of taxes*	*(287)*	Equity r3b
3c	*of which change in fair value related to gains or losses on cash flow hedges of financial instruments which are valued at fair value, net of taxes*	*0*	Equity r3c
3d	*of which change in fair value of financial liabilities designated at fair value to profit or loss attributable to own credit risk, net of taxes*	*31*	Equity r3d
3e	*of which other*	*(7)*	Equity r3e
4	Net result of the period	(206)	Equity r4
5	Minority interests	56	Equity r5
	Total equity	6,628	
	Total liabilities and equity	**102,540**	

Dexia's consolidatied financial statements are audited once a year (as at 31 December). The balance sheet published in the press release and in the Pillar 3 as at 30 June 2021 is not audited. Dexia Crédit Local's balance sheet is audited twice a year (30 June and 31 December)

(in EUR million)		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	7,900	Equity r1a + Equity r2a
	of which capital subscribed by public authorities in emergency situations	*5,500*	
2	Retained earnings	13,309	Equity r2b
3	Accumulated other comprehensive income (and other reserves)	(14,470)	Equity r1b + Equity r2c+ Equity r3
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	6,739	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(182)	
8	Intangible assets (net of related tax liability) (negative amount)	(14)	- Assets r13
9	Not applicable	0	
10	Deferred tax assets which rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments which are not valued at fair value	287	- Equity r3b

(in EUR million)		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity which results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(31)	- Equity r3d
15	Defined-benefit pension fund assets (negative amount)	0	- Assets r11a
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(1)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	*of which qualifying holdings outside the financial sector (negative amount)*	*0*	
EU-20c	*of which securitisation positions (negative amount)*	*0*	
EU-20d	*of which free deliveries (negative amount)*	*0*	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
22	Amount exceeding the 17.65% threshold (negative amount)	0	
23	*of which direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	*0*	
24	Not applicable		
25	*of which: deferred tax assets arising from temporary differences*	*0*	
EU-25a	Losses for the current financial year (negative amount)	(206)	Equity r4
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	(3)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(151)	
29	**Common Equity Tier 1 (CET1) capital**	6,588	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0	
31	*of which classified as equity under applicable accounting standards*		
32	*of which classified as liabilities under applicable accounting standards*	*0*	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	4	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	6	
35	*of which instruments issued by subsidiaries subject to phase out*	*6*	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	10	

(in EUR million)		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	10	
45	**Tier 1 capital (T1 = CET1 + AT1)**	6,597	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	36	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	51	
49	*of which instruments issued by subsidiaries subject to phase out*	*51*	
50	Credit risk adjustments	0	
51	Tier 2 (T2) capital before regulatory adjustments	86	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
54a	Not applicable		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions which exceed the eligible liabilities items of the institution (negative amount)	0	
56b	Other regulatory adjustments to T2 capital	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	86	
59	**Total capital (TC = T1 + T2)**	6,684	
60	**Total risk exposure amount**	23,134	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	28.48%	
62	Tier 1	28.52%	

(in EUR million)		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
63	Total capital	28.89%	
64	Institution CET1 overall capital requirements	8.83%	
65	*of which: capital conservation buffer requirement*	*2.50%*	
66	*of which: countercyclical capital buffer requirement*	*0%*	
67	*of which: systemic risk buffer requirement*	*0%*	
EU-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement*	*0%*	
EU-67b	*of which: additional own funds requirements to address the risks other than the risk of excessive leverage*	*1.83%*	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	22.15%	
69	Not applicable		
70	Not applicable		
71	Not applicable		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	27	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	274	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan. 2014 and 1 Jan. 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	4	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	(36)	
84	Current cap on T2 instruments subject to phase out arrangements	53	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Dexia's consolidated financial statements are audited once a year (as at 31 December). The balance sheet published in the press release and in the Pillar 3 as at 30 June 2021 is not audited. Dexia Crédit Local'sbalance sheet is audited twice a year (30 June and 31 December)

Dexia's Total Capital ratio amounted to 28.9% as at 30 June 2021, against 28.5% at the end of 2020, a level above the minimum required for the year 2021 within the framework of the Supervisory Review and Evaluation Process (SREP).

As at 30 June 2021, the Dexia Group's Total Capital amounted to EUR 6.7 billion, against EUR 6.9 billion as at 31 December 2020. This decrease is mainly due to the negative net result of the half-year (EUR -206 million).

In the first half of 2021, two significant items are deducted from the regulatory capital, in line with the ECB requirements:
- The theoretical loss amount corresponding to the remediation of non-compliance with the large exposures ratio which, as at 30 June 2021, amounted to EUR -63 million[1].

(1) Cf. Dexia Press Releases of 5 February and 26 July 2018, available at www.dexia.com.

- The amount of irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, which amounted to EUR -68 million.

Furthermore, following the on-site inspection on credit risk carried out in 2018, the ECB issued a number of recommendations. As a consequence, Dexia deducted from its prudential equity an amount of EUR -35 million as a complement for specific provisions.

The additional value adjustments taken into account in the regulatory capital within the framework of the Prudent Valuation Adjustment (PVA) amounted to EUR -182 million as at 30 June 2021, against EUR-190 million as at 31 December 2020. It should be noted that the increase of the diversification factor authorised by the temporary adjustment to the CRR (CRR Quick Fix) validated by the European Parliament in June 2020, which had generated a positive impact of EUR +59 million as at 31 December 2020, has not been renewed in 2021. In accordance with the regulation, prudent valuation requirements are applied to all fair-valued positions regardless of whether they are held in the trading book or the banking book.

Dexia uses the static approach to mitigate the impact of the expected credit losses following the introduction of IFRS 9 in 2018. The impact is mitigated to 50% (static phase-in) and amounted to EUR +88 million as at 30 June 2021.

Within the context of the Covid-19 crisis, Dexia made use of the temporary adjustment to the CRR allowing the reintegration in regulatory capital of any new expected credit losses accounted for under IFRS 9 (dynamic phase-in), resulting in a positive impact of EUR +106 million. The temporary neutralisation of fair value changes of some sovereign and public sector assets classified at fair value through equity also had a positive impact of EUR +5 million on the level of regulatory capital

The Debit Valuation Adjustment (DVA) amounted to EUR -37 million as at 30 June 2021 (EUR -49 million as at 31 December 2020).

As at 30 June 2021, the nominal amount of the Group's hybrid Tier 1 securities amounted to EUR 96 million, of which EUR 10 million are eligible as additional Tier 1.

No hybrid debt repurchase was carried out during 2021, in line with the ban imposed by the European Commission and communicated by Dexia on 24 January 2014. The Group's hybrid Tier 1 capital is therefore composed of:
- EUR 56.25 million nominal value of perpetual non-cumulative securities issued by Dexia Crédit Local: these shares (FR0010251421) are listed on the Luxembourg Stock Exchange;
- EUR 39.79 million nominal value of perpetual non-cumulative securities issued by Dexia Funding Luxembourg, now incorporated at Dexia: these securities (XS0273230572) are listed on the Luxembourg Stock Exchange.

As at 30 June 2021, the amount of Dexia's additional equity (Tier 2 Capital) amounted to EUR 86 million, composed of the reclassified hybrid debts.

4. Countercyclical capital buffers

4.1. EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

(in EUR million)	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	"Own fund requirements weights (%)"	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
United Kingdom	6,641	0	0	0	27	6,668	417	0	27	444	5,551	46.26%	0%
France	2,921	0	0	0	0	2,921	184	0	0	184	2,302	19.19%	0%
United States	1,405	0	0	0	0	1,405	61	0	0	61	768	6.40%	0%
Spain	1,203	0	0	0	27	1,229	89	0	1	89	1,116	9.30%	0%
Australia	1,022	0	0	0	1	1,023	43	0	0	43	534	4.45%	0%
Italy	362	0	0	0	1	363	29	0	0	29	359	2.99%	0%
Canada	308	0	0	0	0	308	23	0	0	23	291	2.43%	0%
Japan	284	0	0	0	0	284	5	0	0	5	57	0.47%	0%
Germany	163	0	0	0	0	163	10	0	0	10	128	1.07%	0%
Norway	28	0	0	0	0	28	0	0	0	0	6	0.05%	1.00%
Bulgaria	5	0	0	0	0	5	0	0	0	0	5	0.04%	0.50%
Other countries	827	0	0	0	1,260	2,087	32	0	38	71	883	7.36%	0%
Total	15,169	0	0	0	1,315	16,484	894	0	66	960	11,999	100%	1.50%

4.2. EU CCyB2 - Amount of institution-specific countercyclical capital buffer

1	Total risk exposure amount	23,134
2	Institution specific countercyclical capital buffer rate	0.00065%
3	Institution specific countercyclical capital buffer requirement	0.15

5. Leverage ratio

The Basel III /CRD IV Regulation introduced the leverage ratio as a complementary measure on capital. This ratio is obtained by dividing Tier 1 Capital by exposures calculated using the balance-sheet assets and off-balance-sheet commitments. Derivatives and repurchase agreements are also adjusted.

The European Commission published the CRR revision (CRR 2) on 7 June 2019 in the EU Official Journal applicable from 28 June 2021. Under CRR 2 a minimum level of 3% is applicable.

As at 30 June 2021, the Dexia Group ratio calculated according to the CRR/CRD IV rules as amended by the Delegated Act of October 2014 reached 8.04% (using a transitional definition of Tier 1 Capital), compared to 8.25% as at 31 December 2020. This slight decrease of -0.2 percentage point is explained by the decrease of the Tier 1 capital by EUR -217 million while the Total Leverage Exposure remained mostly flat. Quarterly follow-up of the leverage ratio is performed at both Group and entity levels, in order to manage the risk of excessive leverage.

5.1. EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		30 June 2021
1	Total assets as per published financial statements	102,540
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	(2,934)
9	Adjustment for securities financing transactions (SFTs)	1,010
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,069
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(19,620)
13	**Total exposure measure**	**82,066**

5.2. EU LR2 - LRCom: Leverage ratio common disclosure

(in EUR million)		30 June 2021
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives. SFTs. but including collateral)	93,623
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	3,139
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(22,562)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital)	(197)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	74,002
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	3,708
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,995
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-
EU-9b	Exposure determined under Original Exposure Method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original eExposure mMethod)	-
11	Adjusted effective notional amount of written credit derivatives	767
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(756)
13	**Total derivatives exposures**	5,715
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting). after adjustment for sales accounting transactions	269
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	34
16	Counterparty credit risk exposure for SFT assets	976
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-
17	Agent transaction exposures	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-
18	**Total securities financing transaction exposures**	1,279
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	1,279
20	(Adjustments for conversion to credit equivalent amounts)	(209)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-
22	**Off-balance sheet exposures**	1,069
	Excluded exposures	
	Total excluded exposures	**0**
	Capital and total exposure measure	
23	Tier 1 capital	6,597
24	**Total exposure measure**	82,066
	Leverage ratio	
25	Leverage ratio (%)	8.04%
EU-25	Leverage ratio excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.04%
25a	Leverage ratio excluding the impact of any applicable temporary exemption of central bank reserves (%)	8.04%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0%
EU-26b	*of which: to be made up of CET1 capital (%)*	*0%*
27	Leverage ratio buffer requirement (%)	0%
EU-27a	Overall leverage ratio requirement (%)	3.00%
	Choice on transitional arrangements and relevant exposures	
EU-27b	Choice on transitional arrangements for the definition of the capital measure	0

(in EUR million)		30 June 2021
	Disclosure of mean values	
28	Mean value of gross SFT assets. after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable receivables	535
29	Quarter-end value of gross SFT assets. after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	304
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	82,297
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	82,297
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.02%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.02%

5.3. EU LR3 – LRSpl: Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)

(in EUR million)		**30 June 2021**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which**	72,289
EU-2	*Trading book exposures*	*0*
EU-3	*Banking book exposures, of which:*	*72,289*
EU-4	*Covered bonds*	*267*
EU-5	*Exposures treated as sovereigns*	*30,553*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns*	*23,019*
EU-7	*Institutions*	*2,429*
EU-8	*Secured by mortgages of immovable properties*	*0*
EU-9	*Retail exposures*	*0*
EU-10	*Corporates*	*13,356*
EU-11	*Exposures in default*	*476*
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*2,190*

6. Credit risk

In order to manage credit risk, Dexia Risk Management has established a general framework of policies and procedures. This framework guides credit risk management in its functions of analysis, decision-making and risk surveillance.

Risk Management contributes to the process of credit by setting up a framework of credit limits mainly for banking activities (funding and derivatives) dedicated to the residual portfolio. All other transactions (restructuring, additional credit limits beyond the framework) have to be approved by the Transaction Committee.

Risk measures

Despite the move to the standard approach, the assessment of credit risk relies on internal rating systems developed within the context of the Basel II reform. In this Advanced approach, each counterparty is attributed an internal rating by credit risk analysts relying on dedicated rating tools. This internal rating corresponds to an assessment of the level of the counterparty's risk of default, expressed through an internal rating scale, constituting a key element in the credit decision-making process. Ratings are revised annually, allowing proactive identification of the sensitive counterparties and risks. Watch-list committees are organised to monitor sensitive exposures on the basis of objective criteria or expert judgment. The Internal Rating Systems are back-tested and/or updated on an annual basis in the perspective of IFRS 9 expected credit losses, stress testing, economic capital view and ICAAP.

In order to control the Group's overall credit risk profile, and to limit the concentration of risks, credit risk limits are defined per counterparty, setting the maximum exposure deemed acceptable. The risk management teams can also set limits per product: they proactively monitor limits and may reduce them at any time depending on the evolution of associated risks.

6.1. Concepts and implementation within Dexia

6.1.1. Principles of past-due exposure

A past due is defined as a payment which has become due but has not been made according to the terms of the agreement.

A past due is considered by contract. Even if a counterparty fails to pay only the required interest at due date, the entire loan exposure is considered as past due.

6.1.2. Principles of default

The concept of default includes counterparties which are unlikely to pay or which have past due on material obligation. Since the second half of 2020, Dexia has applied the new definition of default as specified by the EBA guidelines on the application of the definition of default under Article 178 of the EU regulation No 575/2013.

There are two types of default
- For counterparties which are unlikely to pay, Dexia has identified situations described by the different criteria listed below:
  - A specific credit adjustment,
  - A distressed restructuring: when a restructuring of at least one of the positions of the counterparty is likely to result in a diminished financial obligation,
  - The bankruptcy of the counterparty,

– Other indications of Unlikely to Pay such as: unavailability of the borrower's income sources, concerns about the borrower's future cash flows, increase (or expectation of a change) of the borrower's overall leverage level, breach of the financial covenants of a credit contract, collateral call,
– Information identified by the credit risk analyst teams in external databases relative to significant delays in payments to other creditors, crisis of the sector combined with a weak position of the counterparty in that sector, disappearance of an active market for a financial asset because of the financial difficulties of the debtor,
– A credit fraud.

These counterparties receive a credit rating of D1 on a case-by-case analysis.

- For past dues: the obligor has a past due on a credit obligation which is material for more than 90 days. The default counting is specified by EBA default definition, considering, inter alia, interruption by legal actions or updated payment schedules in the context of the Covid-19 pandemic. A past due is material when the past-due amount is more than EUR 500 and more than 1% of the counterparty EAD.

For these counterparties, a credit rating of D2 is given.

Following the early implementation in the second half of 2020 of the EBA 2021 Guideline on Default and Non Performing Exposures, Dexia has, by exception to this rule, specified that technical past dues should not be considered as default. They are defined as:

- past dues which are the result of data or system error of the institution, including manual errors of standardised processes but excluding wrong credit decisions;
- past dues which are the result of the non-execution, defective or late execution of the payment transaction or of the failure of the payment system following payment order of the obligor;
- past dues linked to French Public sector entities. In case of public transfers (public administrative acts subject to creation or competence transfer decrees), due to the time-lag between the effective date of the transfer and the receipt of all official documentation needed to allocate the credit obligation repayment to the right public counterparty within the institution systems, past dues may occur. Those past dues in breach are identified as technical past dues. They do not represent credit issues as they are payment delays due to the complex payment process at the bank and at the counterparties when transferring the credit between public sector entities;
- past dues which are the result of a time lag between the receipt of the payment by an institution and the allocation of that payment to the relevant account.

6.1.3. Non-performing exposure

To facilitate monitoring and comparison between the different European banks, the European Banking Authority (EBA) harmonised the definition of Non-Performing Exposure (NPE) and Forbearance.

According to the EBA, non-performing exposures on the balance sheet are those which meet at least one of the following criteria (§ 145 ITS):

- Material exposures which are more than 90 days past-due (quantitative criterion);
- The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past-due (qualitative criterion).

6.1.4. Forborne exposure

Forborne exposures are restructured contracts in respect of which forbearance measures have been extended. Forbearance is applied to healthy or safe assets or to non-performing assets. Regarding Dexia activities, restructured exposures include three different types of restructuring:

1. Restructuring related to commercial relationships with customers, which represented almost all restructuring until 2011 except litigation in the Netherlands;

2. Restructuring related to litigation, mainly on structured loans, with customers without any financial difficulties;

3. Restructuring related to financial difficulties of the counterparty either under normal relationship or under litigation.

In accordance with the EBA's definition of Forbearance (i.e. concessions towards a debtor facing or about to face difficulties in meeting its financial commitments), only the third case is considered as a forborne loan.

6.1.5. impairment

The IFRS 9 standard has introduced an impairment model of financial assets based on expected credit losses (ECL), which applies to debt instruments (loans or bonds) measured at amortised cost or measured at fair value through OCI, as well as lease receivables and trade receivables. The impairment model also applies to Dexia's off-balance-sheet undrawn loan commitments and financial guarantee given.

Each financial instrument (except assets which are purchased or originated in default) is allocated among three stages according to the wording used by IFRS 9 depending on the evolution of credit risk since initial recognition:
- Stage 1: financial instruments which have not deteriorated significantly in credit quality since initial recognition.
- Stage 2: financial instruments which have deteriorated significantly in credit quality since initial recognition but which do not have objective evidence of a credit loss.
- Stage 3: financial assets which have objective evidence of impairment at the reporting date, i.e. the related counterparty is identified as defaulted.

A loss allowance is defined according to the stage in which the financial instrument is allocated:
- When the financial instrument is in Stage 1, the amount of loss allowance is equal to 12-month expected credit losses corresponding to the lifetime cash shortfall which would result in case of a default occurring in the next 12 months, weighted by the probability that the default occurs during this 12 month-period.
- When the financial instrument is in Stage 2 or 3, the amount of loss allowance is equal to lifetime expected credit losses, corresponding to the lifetime cash shortfall which would result in case of a default occurring over the life of the instrument, weighted by the probability of default (PD) that the default occurs over the residual maturity of the instrument.

Interest revenue for financial assets allocated in Stage 1 or 2 is calculated by applying the Effective Interest Rate (EIR) to the gross carrying amount, while for financial assets in Stage 3, EIR is applied to amortised cost.

Dexia does not apply the simplified approach allowed by IFRS 9 for trade receivables (which have a significant financing component) or lease receivables. The ECL calculation of these assets follows the general approach described below.

Significant Increase in Credit Risk (SICR)

For financial instruments which do not show objective evidence of impairment, and which, therefore, are allocated to either Stage 1 or 2, Dexia developed an approach based on both a qualitative and a quantitative test to assess whether there is any significant increase in credit risk since initial recognition.

The quantitative test consists of comparing lifetime average through the cycle PDs of the contract at the reporting date and at the inception date. This variation of PD is then normalised by the lifetime average through the cycle PDs of the contract at the inception date. These PDs are considered over a time horizon equal to the initial maturity of the financial instrument. If the variation is above a given threshold, the variation of the PDs indicates that there is a significant deterioration of credit risk and that the financial instrument should be allocated to Stage 2. This threshold is included in regular validation processes by governance bodies.

Dexia has applied the low credit risk exemption and therefore assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date – financial instruments being limited to bond positions.

The qualitative part of the approach, relying on forward-looking counterparty-specific indicators, consists of allocating to Stage 2 those exposures which are closely followed up under the Watch List process, which have been granted forbearance measures or which belong to a sensitive economic sector[2]. The IFRS 9 accounting standard indicates that regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past-due. Given Dexia's portfolio characteristics and especially its significant public sector sub-portfolio, administration procedures may delay contractual payments. Dexia has demonstrated that this presumption was not appropriate and therefore has rebutted it.

The rating at origination is not expected to be modified and is determined once and for all for each exposure. However, if the contractual terms of a financial asset are restructured (i.e. renegotiated or refinanced), and if this restructuring leads to a de-recognition according to IFRS 9 accounting rules, the restructured asset is considered as a new asset. This new asset is either recognised as a POCI (Purchased or Originated Credit Impaired) if it meets the identification criteria for this type of assets and

(2) Sensitive sectors are economic sectors which show indication(s) of elevated credit risk.

in this case a lifetime ECL will be recognised, or it is initially recognised in Stage 1. The SICR test is then performed on the new characteristics of the restructured asset. The rating at origination is therefore updated given the rating of the counterparty at the restructuring date and the maturity of the restructured financial asset.

Measurement of expected credit losses

Expected credit losses calculation for financial instruments classified in Stage 1 or 2

Forward-looking: the calculation of Expected Credit Losses (ECL) is a function of rating migration probabilities, Default Probabilities (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. The rating migration probabilities, PD and LGD are point-in-time (PIT) and forward-looking, meaning they take into account current and forecast macroeconomic conditions.

Capitalising on the Pillar 1 framework, Dexia developed internal rating models based on sector segmentation as well as best estimate average PD, rating migrations and LGD models, built on a multi-year horizon based on historical data.

These best estimate parameters have been adjusted to derive IFRS 9 PIT PD and LGD models, which capture dependencies between various macroeconomic variables and risk parameters and are built statistically by finding historical relations between them. The most relevant macroeconomic variables include GDP, unemployment rate, inflation, GDP growth, as well as yields and interest indicators. Such an approach allows the projection of PD, rating migrations and LGD given any state of the economy.

The PIT rating migration probabilities, default probabilities and LGD are back-tested on a regular basis according to Dexia's internal back-test policy. The results of these back-tests are submitted to the internal validation department and presented to the management bodies.

Scenarios: Dexia developed ECL projections for three macroeconomic scenarios: baseline, upward and downturn, the last two defined symmetrically around the baseline. The baseline macroeconomic scenario consists of predictions over a three-year time horizon on a number of macroeconomic and financial market data obtained from international institutions, such as the European Commission and the International Monetary Fund (IMF). The projections are discussed by the working group, combining experts from the Risk and Finance functions, who can additionally overrule certain forecasts if appropriate. The methodology to construct the upturn and downturn scenarios is based on the historical error range observed between economic forecasts and empirical observations. Probability-weighted ECLs are then obtained by weighting the various scenario ECL outcomes with probabilities of the two alternative scenarios.

Cure rate: The probability that an obligor cures the default to return to a normal situation (i.e. with zero loss) is taken into account in all risk parameters estimation.

Credit risk mitigants: Credit risk deterioration is measured by the default risk evolution of the original counterparty. The guarantors contractually allocated to the exposure (for example the credit risk enhancer) are taken into account in the calculation of credit risk expected loss by applying the probability of double default of both the borrower and the guarantor. The other guarantees (like mortgages, pledges and cash collateral), when they are not recognised separately, are taken into account in the calculation of expected credit loss by reducing the loss in case of default.

Discounting: Yearly probability-weighted ECLs are discounted to the reporting date by the effective interest rate.

For instruments in Stage 1 and Stage 2, interest revenue is calculated based on the gross carrying amount of the instrument according to models defined for different sub-portfolios of Dexia.

Expected credit losses calculation for financial instruments classified in Stage 3

Expected credit losses are defined according to the individual characteristics of the exposure, using methodologies developed by the credit analysts and mainly based on projected cash flow models, leverage peer comparison approach, debt repayment capacity, collateral value. In some marginal cases, no impairment may be allocated, especially when the collateral value exceeds the value of the debt instrument. For instruments in Stage 3, interest revenue is calculated on the amortised cost (gross carrying amount after deducting the impairment loss allowance).

When Dexia has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of a financial asset is reduced. Dexia policy is therefore to recognise a loss through profit or loss upon debt forgiveness, which means that no enforcement action will take place.

Accounting treatment of expected credit losses

Dexia recognises the changes in the amount of expected credit losses related to debt instruments, loan commitments and financial guarantee contracts in profit or loss in "Cost of credit risk" as an impairment gain or loss.

For off-balance-sheet undrawn loan commitments and financial guarantees given, expected credit losses are booked on the liability side of Dexia's balance sheet.

For purchased or originated credit-impaired financial assets, the amount of loss allowance recognised in profit or loss is the cumulative change in lifetime expected credit losses since initial recognition. The amount of favourable change in lifetime expected credit losses is recognised in profit or loss as an impairment gain.

	Overview of impairments	
	31 December 2020	30 June 2021
Impaired assets [2]	556	503
Specific impairments [3]	135	114
of which Stage 3	*125*	*110*
of which POCI	*9*	*4*
Coverage ratio [4]	24.1%	22.6%
Collective provisions	320	296
of which Stage 1	*21*	*24*
of which Stage 2	*299*	*272*

(1) Outstanding : computed according the applicable perimeter defined under IFRS 9 (FV through OCI + Amortised Cost + Off Balance)
(2) Impairments : according the portfolio taken into account for the calculation of the outstanding, inclusive the impairments related to POCI
(3) Specific impairments-to-Impaired assets ratio
(1) Outstanding : computed according the applicable perimeter defined under IFRS 9 (FV through OCI + Amortised Cost + Off Balance)

6.2. Credit risk exposure

As at 30 June 2021, Dexia's credit risk exposure, expressed in Exposure at Default (EAD), amounted to EUR 77.5 billion. Exposures remain principally concentrated on the local public sector, sovereigns and credit institutions given Dexia's historical activity. They are mainly concentrated in the European Union and the United States.

Expressed in gross carrying exposure (cf. table EU CR1), the credit risk exposure amounted to EUR 94.6 billion as at 30 June 2021.

The non-performing gross carrying amount accounts for only 0.6% of this total amount.

The average coverage are the following:
- Performing exposure
  - In Stage 1: 83.85%
  - In Stage 2: 13.68%
- Non-performing exposure
  - In Stage 3: 0.5%

6.2.1. EU CR1: Performing and non-performing exposures and related provisions[3]

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	**Cash balances at central banks and other demand deposits**	10,228	10,228	-	-	-	-	-	-	-	-	-	-	0	-	-
010	Loans and advances	45,795	36,926	6,774	538	4	394	(138)	(2)	(135)	(105)	-	(95)	-	4,534	123
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	16,561	11,426	4,160	104	-	40	(54)	0	(53)	(15)	-	(9)	-	215	34
040	Credit institutions	16,912	16,795	117	-	-	-	(1)	0	(1)	-	-	-	-	273	-
050	Other financial corporations	6,109	6,040	4	8	-	6	(1)	(1)	-0	(1)	-	(1)	-	66	7
060	Non-financial corporations	6,212	2,665	2,494	426	4	346	(82)	0	(82)	(89)	-	(84)	-	3,980	83
070	*Of which: SMEs*	*21*	-	*7*	*1*	-	*1*	*0*	-	*0*	*(1)*	-	*(1)*	-	-	-
080	Households	0	0	-	0	-	0	-	-	-	0	-	0	-	0	-
090	Debt securities	37,065	30,811	6,019	36	-	34	(155)	(23)	(133)	(2)	-	(2)	-	152	-
100	Central banks	123	-	123	-	-	-	(69)	-	(69)	-	-	-	-	-	-
110	General governments	25,087	21,500	3,584	-	-	-	(22)	(3)	(18)	-	-	-	-	-	-
120	Credit institutions	1,085	1,065	-	-	-	-	0	0	-	-	-	-	-	-	-
130	Other financial corporations	1,079	623	456	-	-	-	(1)	0	(1)	-	-	-	-	-	-
140	Non-financial corporations	9,692	7,623	1,857	36	-	34	(64)	(19)	(45)	(2)	-	(2)	-	152	-
150	Off-balance sheet exposures	1,210	1,105	105	24	-	23	3	0	3	8	-	8	-	-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	259	251	8	-	-	-	0	0	0	-	-	-	-	-	-
180	Credit institutions	278	237	42	1	-	-	0	0	-	-	-	-	-	-	-
190	Other financial corporations	297	296	1	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	335	280	55	23	-	23	3	0	3	8	-	8	-	-	-
210	Households	42	42	-	-	-	-	-	-	-	-	-	-	-	-	-
220	**TOTAL**	**94,299**	**79,070**	**12,899**	**597**	**4**	**450**	**(290)**	**(24)**	**(265)**	**(100)**	**-**	**(89)**	**-**	**4,686**	**123**

(3) This table is expressed in gross carrying amount. The credit risk exposure amounts therefore differ from the credit risk exposure usually disclosed by Dexia in its Financial Communication, which is expressed in Exposure at Default (EAD).

6.2.2. EU CQ5: Credit quality of loans and advances by industry

(in EUR million)		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which non-performing		of which loans and advances subject to impairment		
				of which defaulted			
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	227	1	1	227	(13)	-
040	Electricity, gas, steam and air conditioning supply	268	81	81	247	(30)	(1)
050	Water supply	161	14	14	157	(3)	-
060	Construction	884	-	-	647	(8)	-
070	Wholesale and retail trade	2	-	-	1	-0	-
080	Transport and storage	399	84	84	307	(14)	(1)
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	3	-	-	3	-	-
110	Real estate activities	1,510	54	54	1,114	(16)	(2)
120	Financial and insurance actvities	469	61	61	451	(19)	-
130	Professional, scientific and technical activities	511	-	-	509	(23)	-
140	Administrative and support service activities	1,229	-	-	1,006	(1)	-
150	Public administration and defense, compulsory social security	180	39	39	178	(13)	-
160	Education	5	-	-	5	0	-
170	Human health services and social work activities	637	67	67	507	(26)	-
180	Arts, entertainment and recreation	43	-	-	43	-	-
190	Other services	113	25	25	105	(1)	(1)
200	**TOTAL**	**6,638**	**426**	**426**	**5,508**	**(166)**	**(4)**

6.2.3. EU CQ4: Quality of non-performing exposures by geography

(in EUR million)		Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which non-performing		of which subject to impairment			
				of which defaulted				
010	***On balance sheet exposures (Total)***	82,526	573	573	80,127	(395)	-	(6)
020	*United Kingdom*	30,355	5	5	30,059	(37)	-	-
030	*Italy*	17,181	48	48	17,031	(51)	-	-
040	*France*	8,390	204	204	7,280	(87)	-	(4)
050	*United States*	6,813	2	2	6,737	(38)	-	-
060	*Spain*	4,502	222	222	3,986	(57)	-	(2)
070	*Belgium*	3,729	-	-	3,729	0	-	-
080	*Portugal*	3,434	26	26	3,344	(18)	-	-
090	*Japan*	3,189	-	-	3,189	0	-	-
100	*Germany*	2,083	-	-	2,041	0	-	-
110	*Australia*	1,437	-	-	1,437	0	-	-
130	*Poland*	611	-	-	611	0	-	-
140	*Canada*	282	-	-	222	(12)	-	-
150	*Tunisia*	123	-	-	123	(69)	-	-
157	*Other countries*	397	66	66	339	(27)	-	-
175	***Off balance sheet exposures (Total)***	1,234	24	24	-	-	11	-
176	*France*	613	-	-	-	-	0	-
177	*United States*	290	-	-	-	-	-	-
178	*United Kingdom*	162	-	-	-	-	0	-
179	*Luxembourg*	44	1	1	-	-	-	-
180	*Netherlands*	42	-	-	-	-	0	-
181	*Italy*	35	20	20	-	-	9	-
182	*Spain*	29	2	2	-	-	2	-
186	*Other countries*	18	-	-	-	-	0	-
187	**TOTAL**	**83,760**	**597**	**597**	**80,127**	**(395)**	**11**	**(6)**

**This table takes into account only loans and advances and debt securities and excludes cash balances at central banks and other demand deposits, equity instruments and derivatives.*

The geographical breakdown of the non-performing exposure and accumulated impairment largely reflects Dexia's portfolio breakdown, with the exception of the UK. Dexia's UK portfolio is only composed of exposures on banks, accommodation PPPs, social housing entities and local authorities.

6.2.4. EU CQ1: Credit quality of forborne exposures

		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which Collateral and financial guarantees received on non-performing exposures with forbearance measures
(in EUR million)				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	109	250	250	166	(1)	(61)	97	55
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	54	76	76	30	0	(12)	61	28
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	4	4	3	-	0	4	4
060	*Non-financial corporations*	55	169	169	133	(1)	(48)	33	24
070	*Households*	-	-	-	-	-	-	-	-
080	Debt Securities	11	-	-	-	0	-	-	-
090	Loan commitments given	-	0	0	0	-	-	-	-
100	**TOTAL**	**120**	**250**	**250**	**166**	**(1)**	**(61)**	**97**	**55**

Forborne exposure is limited to EUR 369.9 million, i.e. 0.4% of the overall gross carrying amount of Dexia's portfolio. 68% is non-performing. The average coverage of the non-performing, defaulted forborne exposure is 24.2%.

6.2.5. EU CQ7: Collateral obtained by taking possession and execution processes

Dexia did not operate any repossession.

6.3. AIRB Approaches

In 2020, Dexia, as a bank in orderly resolution willing to simplify its operations, asked the supervisory authorities the permission to apply the Standard Approach for the calculation of credit risk-weighted assets. This supervisory approval was granted in the first quarter of 2021. As a result, from that date, Dexia no longer applies the AIRB approach for credit risk-weighted calculation

6.4. Standard approach

The average risk weight of Dexia's exposure portfolio is 23.8% (cf. table below for details on the exposures classes breakdown by risk weight bucket).

The largest part of Dexia's portfolio benefits from a 0% or 20% risk weight (i.e. 73 % of the exposures) reflecting Dexia's exposure on European sovereign (0% risk weight) and European local authorities (0% or 20% risk-weight).

6.4.1. EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	Exposure classes (in EUR million)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWEA	RWEA density (%)
1	Central governments or central banks	26,588	59	26,835	59	240	0.89%
2	Regional government or local authorities	20,325	183	22,049	117	4,292	19.36%
3	Public sector entities	6,627	235	6,079	149	2,064	33.14%
4	Multilateral development banks	19	-	19	-	-	0%
5	International organisations	-	-	-	-	-	0%
6	Institutions	1,875	8	2,359	8	1,124	47.50%
7	Corporates	13,305	199	11,478	151	8,287	71.26%
8	Retail	0	-	0	-	0	75.03%
9	Secured by mortgages on immovable property	-	-	-	-	-	0%
10	Exposures in default	476	16	366	14	504	132.43%
11	Exposures associated with particularly high risk	39	-	39	-	58	150.00%
12	Covered bonds	267	-	267	-	27	10.00%
13	Institutions and corporates with a short-term credit assessment	7	-	0	-	0	100.00%
14	Collective investment undertakings	-	-	-	-	-	0%
15	Equity	2	-	2	-	3	119.84%
16	Other items	504	-	504	-	178	35.29%
17	**TOTAL**	**70,035**	**699**	**69,997**	**498**	**16,776**	**23.80%**

6.4.2. EU CR5 – Standardised approach

	Exposure classes (in EUR million)	Risk weight															Total
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	
1	Central governments or central banks	26,434	-	-	-	154	-	191	-	-	113	-	-	-	-	-	26,894
2	Regional government or local authorities	2,491	-	-	-	18,488	-	1,176	-	-	12	-	-	-	-	-	22,166
3	Public sector entities	1,336	-	-	-	1,545	-	3,183	-	-	163	-	-	-	-	-	6,228
4	Multilateral development banks	19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	201	-	2,164	-	-	2	-	-	-	-	-	2,367
7	Corporates	-	-	-	-	1,962	-	3,173	-	-	6,486	8	-	-	-	-	11,629
8	Retail	-	-	-	-	-	-	-	-	0	-	-	-	-	-	-	0
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	134	247	-	-	-	-	380
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	39	-	-	-	-	39
12	Covered bonds	-	-	-	267	-	-	-	-	-	-	-	-	-	-	-	267
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	0
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	2	-	0	-	-	-	2
16	Other items	326	-	-	-	-	-	-	-	-	178	-	-	-	-	-	504
17	**TOTAL**	**30,606**	**-**	**-**	**267**	**22,350**	**-**	**9,888**	**-**	**0**	**7,090**	**293**	**0**	**-**	**-**	**-**	**70,495**

6.5. Credit risk mitigation techniques

6.5.1. Description of the main types of Credit Risk Mitigants (CRM)

Credit risk mitigants (CRM) are used by a bank to reduce the credit risk associated with an exposure. CRMs are one of the "risk" components used to determine the regulatory capital. CRMs can be classified in two main categories:
- Funded credit protection, gathered under the generic name "collaterals";
- Unfunded credit protection, gathered under the generic name "guarantees and credit derivatives".

Funded credit protection: collaterals

From a regulatory point of view, funded credit protection represents a technique for mitigating credit risk whereby the credit risk associated with the bank's exposure is reduced by the institution's right – in the event of a default by the counterparty or the occurrence of other predetermined events involving the counterparty – to liquidate certain amounts or assets, to have them transferred, to seize or to hold them, or to reduce the amount of the exposure by the difference between this exposure and the amount of a claim which might be held on the bank, or to replace it by the balance of this difference.

Funded credit protection can adopt several sub-forms:
- *Financial collateral* (securities portfolio under rating conditions, cash, gold, precious materials, and so on);
- *Netting agreements:* banks have legally enforceable netting arrangements by which they may calculate capital requirements on the basis of net credit exposures subject to specific regulatory conditions. Types of netting are payment netting, novation netting, close-out netting or multilateral netting.
- *Physical collaterals:*
  - Residential or commercial real estate collateral;
  - Receivables (eligible only under advanced approach);
  - Other types of physical collaterals…

Unfunded credit protection: guarantees and credit derivatives

From a regulatory point of view, unfunded credit protection represents a technique for mitigating credit risk whereby the credit risk associated with the bank is reduced by the commitment of a third party to pay an amount in the event of a default by the borrower or in the event that other predetermined events should occur.

They include for example:
- Guarantees: guarantees refer to personal guarantees, first-demand guarantees, support commitments and "tri-partite agreements";
- Credit derivatives. The following types of credit derivatives are eligible for recognition:
  - *Credit default swaps* provide credit protection equivalent to guarantees. A credit default swap is a contract according to which one party to the contract undertakes to make a payment to the other party to the contract on the occurrence of a specified event or events relating to the creditworthiness of a third party. The making of such payment does not in itself give rise to a legal entitlement of the protection provider against the third party.
  - *Total return swaps* provide credit protection equivalent to guarantees. A total return swap is a contract according to which one party to the contract undertakes to make payments to the other party to the contract of all cash flows arising from a specified asset (or assets) plus any increase in the market value of the asset (or assets) since the last payment date or the commencement date of the contract, whichever is the most recent, and according to which the recipient of these amounts undertakes to pay to the first party an interest rate related flow plus any decrease in the market value of the asset (or assets) since the last payment date or the commencement date, whichever is the most recent.
  - *Credit derivatives treated as cash collateral*. A credit-linked note is a cash-funded debt instrument which is redeemable by the issuer in accordance with the terms of the instrument, or the terms of redemption of which are altered, on the occurrence of a specified event or events related to the creditworthiness of a third party.
- Other credit commitments received from a third-party.

6.6. Counterparty credit risk

6.6.1. Concepts

6.6.1.1. Definition

- Dexia enters into derivative contracts primarily to protect cash flows and the fair value of financial assets and liabilities from market fluctuations. Derivative transactions are mainly concluded to reduce risk exposure with regard to interest rate risk and foreign exchange risk.
- Even though it is the objective of the bank to enter into risk reduction strategies, only some of the derivative transactions can be classified as hedge accounting. In the event that a strategy applied by the bank does not meet the stringent requirements defined under IAS 39, transactions are classified as derivatives "held for trading" notwithstanding their risk reducing character.

6.6.1.2. Counterparty credit risk – Basel III

Counterparty or replacement risk corresponds to the market value of transactions with counterparties. It represents the cost of replacing transactions with a positive value should the counterparty default.

Calculation of exposure at default within the regulatory framework

Dexia is engaged in two types of transactions presenting counterparty credit risks:

- Derivatives: counterparty exposure arises as a result of positive market valuation of derivative contracts. A positive market value represents Dexia's claim on the counterparty. Since market values fluctuate during the term to maturity, the uncertainty of future market conditions is taken into account via the CRR2 SA-CCR method.
- Repurchase agreements and securities lending or borrowing: given Dexia is a cash taker, most repo transactions record a positive transactional haircut (difference between received cash and posted collateral). This difference represents a Dexia risk on the counterparty. Bond prices fluctuate during the term to maturity and with the uncertainty of future markets. This explains why, as for derivatives, add-ons are included to obtain an economic view of counterparty risk.

To reduce the counterparty risk, Dexia OTC derivatives and Dexia repos are in most cases concluded within the framework of a master agreement (i.e. the International Swap and Derivative Association – ISDA or Global Master Repurchase Agreement – GMRA) taking account of the general rules and procedures set out in the Dexia credit risk policies. These framework agreements reduce Dexia's credit exposure through:

- The use of close-out netting agreements where all positive and negative market values (haircut for repos) under the same agreement can be netted on a counterparty level;
- The netting agreement is supplemented with a collateral agreement where the net market value exposure (net positive variation in haircut for repos) is reduced further by the reception of margin calls. Margin calls are regulated by the terms and rules stipulated in the Credit Support Annex (CSA) for derivatives and GMRA negotiated with the counterparty.

Dexia complies with the EMIR regulation and has been admitted by a central counterparty (clearing house) to net the allowed derivative transactions. Dexia also uses general collateral pooling with a central counterparty for funding via repos.

Counterparty credit risk is taken into account in the calculation of credit risk on financial institutions.

Credit Valuation Adjustment

The credit valuation adjustment (CVA) corresponds to the difference between:

- a risk-free valuation, and
- the valuation which takes into account the possibility of a counterparty's default.

When applied to an OTC derivative portfolio, it corresponds to the market value of the counterparty credit risk. It is a "fair value" adjustment which reflects the expected losses due to a counterparty's default.

Banks now consider this derivative fair value component as a standard market practice. The credit and liquidity crisis highlighted the need for a better measurement of this risk arising on derivative portfolios. The volatility of credit spreads over past years has accentuated the significance of counterparty credit risk and CVA measurement.

From an accounting standard point of view, and since the release of IFRS 13, despite the changes in the fair value definition, calculation of CVA has become a clear requirement.

The CVA is equal to expected exposure multiplied by the probability of default (PD) and the loss given default (LGD). Dexia computes the expected exposure by replicating a string of swaptions, or where not appropriate or too cumbersome, by applying the Basel exposure at default. Credit spreads are used for implying PDs.

For collateralised derivatives, Dexia uses a conservative 10-day margin period of risk.

CVA Capital Charge
Since the implementation of the Basel III framework, Dexia has been subject to a capital charge for potential mark-to-market losses associated with deterioration in the creditworthiness of its counterparties.

Basel III aims at applying to CVA risk an approach equivalent to that used for market risk capital charge measurement (based on Value at Risk): the CVA capital charge corresponds to a Value at Risk (VaR) applied to CVA. The VaR is measured by the CRR2 Standardised Method.

As at 30 June 2021, Dexia had EUR 670 million related to CVA capital charge.

Downgrade of Dexia's Own Credit Rating – Impact

Taking into account the current level of credit rating, no additional amount of collateral would have to be provided should Dexia Crédit Local incur a downgrade.

6.6.2. Methodology

Dexia uses the Standardised Approach for Counterparty Credit Risk (SA-CCR) to measure the exposure of the derivative portfolio. Exposure under the SA-CCR consists of two components: replacement cost and potential future exposure. While differences exist between margined and unmargined trades, globally the replacement cost captures the current exposure at risk if the counterparty would default, while the potential future exposure represents the risk of an increase in the future value of the trade. Both measures account for the posted or received collateral. The sum of the replacement cost and potential future exposure is multiplied with a regulatory constant equal to 1.4 in order to obtain the exposure value for solvency purposes.

Besides the characteristics of each specific derivative, the presence of a margining agreement and netting agreement determines the level of potential future exposure. First of all, the degree of collateralisation plays a role, as over-collateralised deals have a lower risk of generating a future exposure. Secondly, within a netting agreement, potential increases and decreases of the exposure value of single derivatives can partly offset each other. For this purpose, the derivatives need to be grouped in hedging sets. Only derivatives within the same hedging set are allowed fully or partially to offset each other. Long positions (derivatives for which the market value increases when the underlying risk driver increases) can offset short positions (derivatives for which the market value decreases when the underlying risk driver increases). Moreover, the degree to which derivatives in a hedging set can offset also depends on the magnitude of their sensitivity, which is approximated by taking into account the maturity and notional amount of each derivative.

While the main principles are described above, the full detailed calculation of the SA-CCR exposure as explained in CRR Art. 274-280f, is applied as such on the Dexia derivative portfolio. Note that this exposure is corrected for the incurred CVA before calculating the Risk-Weighted Exposure Amount (RWEA).

6.6.3. EU CCR1 – Analysis of CCR exposure by approach

(in EUR million)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0	0		1.40	0	0	0	0
EU2	EU - Simplified SA-CCR (for derivatives)	0	0		1.40	0	0	0	0
1	SA-CCR (for derivatives)	1,616	725		1.40	7,106	3,277	3,213	2,207
2	IMM (for derivatives and SFTs)			0	0	-	-	-	-
2a	*Of which securities financing transactions netting sets*			0		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			0		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			0		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					7	-	-	-
5	VaR for SFTs					0	0	0	0
6	**Total**					**7,113**	**3,277**	**3,213**	**2,207**

The total derivative exposure value under the SA-CCR approach, after deduction of the incurred CVA, equals EUR 3.2 billion. This exposure value is the basis for the calculation of the Risk Weighted Exposure Amount (RWEA), for which Dexia applies the Standardised Approach for credit risk capital requirements. The average risk weight on the SA-CCR exposure equals 69%, and is equivalent to an RWA amount of EUR 2.2 billion. Note that this amount does not include the capital charge for CVA.

The exposure value prior to deduction of incurred CVA amounts to EUR 3.3 billion (Exposure value post-CRM); the incurred CVA is not a major driver of the exposure value. The Exposure value post-CRM is equal to the sum of the EUR 1.6 billion replacement cost and EUR 0.7 billion potential future exposure, multiplied with the regulatory alpha equal to 1.4.

6.6.4. EU CCR2 – Transactions subject to own funds requirements for CVA risk

		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	733	671
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	**733**	**671**

The own funds requirement for CVA risk covers derivatives on financial counterparties. The SA-CCR exposure value on this sub-scope equals EUR 733 million. Dexia uses the Standardised Method for own funds requirements for CVA risk. The corresponding Risk Weighted Exposure Amount (RWEA) equals EUR 671 million, equivalent to an average risk weight of 92%.

6.6.5. EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight											
	(in EUR million)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	40	-	-	-	1	-	-	-	-	-	-	41
2	Regional government or local authorities	-	-	-	-	601	-	-	-	11	-	-	612
3	Public sector entities	62	-	-	-	94	0	-	-	1	-	-	192
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1,952	0	-	125	429	-	-	2	-	-	2,508
7	Corporates	-	-	-	-	6	35	-	-	1,606	-	-	1,648
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	159	220	-	-	246	-	-	625
10	Other items	-	-	-	-	-	-	-	-	-	75	-	75
11	**Total exposure value**	**102**	**1,952**	**0**	**-**	**987**	**718**	**-**	**-**	**1,866**	**75**	**-**	**5,701**

Dexia applies the Basel II standard approach to compute RWA. Therefore, and considering Dexia's portfolio:

- Central government exposure is largely on EU members, weighted 0%
- Local authorities: the exposure is largely weighted 20% (French, Italian and UK);
- Corporate and Project Finance (average RW%: 99%) are mostly weighted 100%, with those externally rated being weighted either 50% or 100%
- Institutions (average RW%: 11.7%) are mostly weighted 100%, with those externally rated being weighted either 50% or 100%

6.6.6. EU CCR5 – Composition of collateral for CCR exposures

	Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	2,507	-	2,728	-	7	-	38
2	Cash – other currencies	-	156	-	59	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	1,508
4	Other sovereign debt	-	-	-	-	-	150	-	24,458
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	836
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	661
9	**Total**	**-**	**2,663**	**-**	**2,787**	**-**	**157**	**-**	**27,501**

The fair value of collateral that Dexia posted in derivative transactions and which reduces its SA-CCR exposure value equals EUR 2.8 billion, while the fair value of collateral received equals EUR 2.7 billion. This collateral is fully composed of cash collateral.

With respect to SFT (Securities Financing Transactions), the total posted collateral (EUR 28 billion) is almost fully composed of sovereign debt (EUR 26 billion), which is a large part of the credit portfolio. Collateral received in SFT is small, as in Dexia SFT are mainly used for borrowing.

Note that all collateral is unsegregated, i.e. it is not held in a bankruptcy-remote manner.

6.6.7. EU CCR6 – Credit derivatives exposures

		Protection bought	Protection sold
Notionals			
1	Single-name credit default swaps	-	-
2	Index credit default swaps	-	-
3	Total return swaps	-	-
4	Credit options	-	-
5	Other credit derivatives	1,372	1,372
6	**Total notionals**	1,372	1,372
Fair values		-	-
7	Positive fair value (asset)	71	-
8	Negative fair value (liability)	-	(60)

Dexia has 3 Credit Default Swaps (CDS) in which it bought protection, which are offset by 3 hedging CDS for the same notional amount (EUR 1.4 billion).

6.6.8. EU CCR8 – Exposures to CCPs

		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		99
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,394	28
3	*(i) OTC derivatives*	*83*	*2*
4	*(ii) Exchange-traded derivatives*	-	-
5	*(iii) SFTs*	*1,311*	*26*
6	*(iv) Netting sets where cross-product netting has been approved*	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	434	9
9	Prefunded default fund contributions	103	63
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	*(i) OTC derivatives*	-	-
14	*(ii) Exchange-traded derivatives*	-	-
15	*(iii) SFTs*	-	-
16	*(iv) Netting sets where cross-product netting has been approved*	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

All exposure to Central Counterparties is on Qualifying Central Counterparties (QCCP) and equals EUR 1.9 billion. It is mainly composed of Dexia's repo activities (SFTs) which account for EUR 1.3 billion and non-segregated initial margins for a value of EUR 0.4 billion. Almost all these exposures benefit from the 2% risk weight prescribed by the CRR.

The prefunded default fund contribution is relatively small in exposure size (EUR 0.1 billon), though with EUR 63 million RWEA it is the main contributor to the total RWEA level of EUR 99 million, given its higher average risk weight (61%).

6.7. Focus on securitisation activities

Dexia is managing a limited portfolio of senior ABS bonds in run-off. Dexia also manages a synthetic securitisation (WISE) with public finance and utility assets as underlying.

Dexia has not originated any securitisation transactions since 2011. The same goes for new investments or acting as sponsor for providing liquidity facilities in Dexia securitisation transactions or to third parties.

6.7.1. EU-SEC1 – Securitisation exposures in the non-trading book

		Institution acts as an originator						
		Traditional				Synthetic		
		STS		Non-STS			of which SRT	
			of which SRT		of which SRT			TOTAL
1	Total exposures	-	-	-	-	1,213	1,213	**1,213**
2	Retail (total)	-	-	-	-	-	-	**-**
3	Residential mortgage	-	-	-	-	-	-	**-**
4	Credit card	-	-	-	-	-	-	**-**
5	Other retail exposures	-	-	-	-	-	-	**-**
6	Re-securitisation	-	-	-	-	-	-	**-**
7	Wholesale (total)	-	-	-	-	1,213	1,213	**1,213**
8	Loans to corporates	-	-	-	-	-	-	**-**
9	Commercial mortgage	-	-	-	-	-	-	**-**
10	Lease and receivables	-	-	-	-	-	-	**-**
11	Other wholesale	-	-	-	-	1,213	1,213	**1,213**
12	Re-securitisation	-	-	-	-	-	-	**-**

Dexia does not act as a sponsor.

		Institution acts as an investor			
		Traditional		Synthetic	
		STS	Non-STS		TOTAL
1	Total exposures	-	28	-	**28**
2	Retail (total)	-	-	-	**-**
3	Residential mortgage	-	-	-	**-**
4	Credit card	-	-	-	**-**
5	Other retail exposures	-	-	-	**-**
6	Re-securitisation	-	-	-	**-**
7	Wholesale (total)	-	-	-	**-**
8	Loans to corporates	-	-	-	**-**
9	Commercial mortgage	-	-	-	**-**
10	Lease and receivables	-	-	-	**-**
11	Other wholesale	-	-	-	**-**
12	Re-securitisation	-	-	-	**-**

Note: The mapping below assumes that institutions do not simultaneously hold positions in one and the same securitisation in both the trading and the banking book. Where that assumption does not hold, the mapping is not direct and institutions will need to do some additional assessment of the part of the securitisation that relates to the trading and to the banking book.

The originator exposure relates to the WISE transaction, a synthetic securitisation relating to a portfolio of UK Utilities and UK PFI bonds.

6.7.2. EU-SEC2 – Securitisation exposures in the trading book

Dexia does not have any securitisation exposures in the trading book.

6.7.3. EU-SEC3 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as originator or as sponsor

		Exposure values (by RW bands/deductions)				
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW / deductions
1	Total exposures	-	1,186	-	-	27
2	Traditional transactions	-	-	-	-	-
3	Securitisation	-	-	-	-	-
4	Retail underlying	-	-	-	-	-
5	*Of which STS*	-	-	-	-	-
6	Wholesale	-	-	-	-	-
7	*Of which STS*	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	Synthetic transactions	-	1,186	-	-	27
10	Securitisation	-	1,186	-	-	27
11	Retail underlying	-	-	-	-	-
12	Wholesale	-	*1,186*	-	-	*27*
13	Re-securitisation	-	-	-	-	-

		Exposure values (by regulatory approach)			
		SEC-IRBA	"SEC-ERBA (including IAA)"	SEC-SA	1250% RW / deductions
1	Total exposures	-	1,186	-	27
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	1,186	-	27
10	Securitisation	-	1,186	-	27
11	Retail underlying	-	-	-	-
12	Wholesale	-	1,186	-	27
13	Re-securitisation	-	-	-	-

		RWEA (by regulatory approach)			
		SEC-IRBA	"SEC-ERBA (including IAA)"	SEC-SA	1250% RW / deductions
1	Total exposures	-	474	-	337
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	474	-	337
10	Securitisation	-	474	-	337
11	Retail underlying	-	-	-	-
12	Wholesale	-	474	-	337
13	Re-securitisation	-	-	-	-

		Capital charge after cap			
		SEC-IRBA	"SEC-ERBA (including IAA)"	SEC-SA	1250% RW / deductions
1	Total exposures	-	38	-	27
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	38	-	27
10	Securitisation	-	38	-	27
11	Retail underlying	-	-	-	-
12	Wholesale	-	38	-	27
13	Re-securitisation	-	-	-	-

Note: The mapping below assumes that institutions do not simultaneously hold positions in one and the same securitisation in both the trading and the banking book. Where that assumption does not hold, the mapping is not direct and institutions will need to do some additional assessment of the part of the securitisation that relates to the trading and to the banking book.

The exposure related to the WISE securitisation. The part weighted at 1250% relates to the junior notes owned by Dexia

6.7.4. EU-SEC4 – Securitisation exposures in the non-trading book and associated regulatory capital requirements – institution acting as investor

		Exposure values (by RW bands/deductions)				
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions
1	**Total exposures**	2	26	1	-	-
2	Traditional transactions	2	26	1	-	-
3	Securitisation	2	26	1	-	-
4	Retail underlying	-	-	-	-	-
5	*Of which STS*	-	-	-	-	-
6	Wholesale	-	-	-	-	-
7	*Of which STS*	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-
10	Securitisation	-	-	-	-	-
11	Retail underlying	-	-	-	-	-
12	Wholesale	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-

		Exposure values (by regulatory approach)			
		SEC-IRBA	"SEC-ERBA (including IAA)"	SEC-SA	1250% RW / deductions
1	**Total exposures**	-	28	-	-
2	Traditional transactions	-	28	-	-
3	Securitisation	-	28	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	-	-	-
10	Securitisation	-	-	-	-
11	Retail underlying	-	-	-	-
12	Wholesale	-	-	-	-
13	Re-securitisation	-	-	-	-

		RWEA (by regulatory approach)			
		SEC-IRBA	**"SEC-ERBA (including IAA)"**	**SEC-SA**	**1250% RW / deductions**
1	**Total exposures**	-	10	-	-
2	Traditional transactions	-	10	-	-
3	Securitisation	-	10	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	-	-	-
10	Securitisation	-	-	-	-
11	Retail underlying	-	-	-	-
12	Wholesale	-	-	-	-
13	Re-securitisation	-	-	-	-

		Capital charge after cap			
		SEC-IRBA	**"SEC-ERBA (including IAA)"**	**SEC-SA**	**1250% RW / deductions**
1	**Total exposures**	-	1	-	-
2	Traditional transactions	-	1	-	-
3	Securitisation	-	1	-	-
4	Retail underlying	-	-	-	-
5	*Of which STS*	-	-	-	-
6	Wholesale	-	-	-	-
7	*Of which STS*	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	-	-	-
10	Securitisation	-	-	-	-
11	Retail underlying	-	-	-	-
12	Wholesale	-	-	-	-
13	Re-securitisation	-	-	-	-

6.7.5. EU-SEC5 – Exposures securitised by the institution – Exposures in default and specific credit risk adjustment

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	1,260	-	-
2	Retail (total)	-	-	-
3	Residential mortgage	-	-	-
4	Credit card	-	-	-
5	Other retail exposures	-	-	-
6	Re-securitisation	-	-	-
7	Wholesale (total)	1,260	-	-
8	Loans to corporates	-	-	-
9	Commercial mortgage	-	-	-
10	Lease and receivables	-	-	-
11	Other wholesale	1,260	-	-
12	Re-securitisation	-	-	-

7. Market risk

Risk measurement

The Dexia Group mainly assesses market risk using a combination of two measurement indicators, resulting in a limit-based risk management framework.

Value at Risk (VaR) is a measure of the expected potential loss with a 99% confidence interval and for a holding period of ten days. Dexia relies on a parametric VaR to measure the market risk inherent in the various portfolios and activities. The method of this VaR is based on a normal distribution of yields relating to risk factors.

Limits in terms of position, maturity, market and authorised products are put in place per type of activity, ensuring consistency between global risk limits and the operational thresholds used by front office.

The risk management system is completed by stress tests, which include events outside the probabilistic framework of VaR measurement techniques. The different assumptions of these degraded scenarios are regularly revised and updated. The consolidated stress-test results and the corresponding analysis are presented to the Risk Committee on a quarterly basis.

Basel treatment

Internal model

The parametric Value at Risk (VaR) model is the one used for the regulatory capital requirement calculation of general interest rate risk within the trading scope.

The Stressed VaR (SVaR) is calculated on a weekly basis using parameters from the period September 2008-September 2009.

Regulatory capital is calculated as the sum of both a multiple of VaR and a multiple of SVaR, applying multipliers agreed with the ECB.

The portfolios covered by the internal model are exclusively composed of derivatives and are located at Dexia Crédit Local, Paris and Dublin, and at Dexia Crediop. As part of the independent price verification, their valuation is checked against external sources to assess the performance of the valuation models used. Dexia also takes part in the annual supervisory benchmarking exercise, which allows its regulators to assess the quality of its internal model by comparison with the results submitted by other institutions on prescribed benchmarking portfolios.

Validation is responsible for the overall assessment of the market risk models, including the VaR internal model. The process set up to endorse the validation of models deployed within the Dexia Group is multi-layered, ensuring total compliance with regulations and local regulatory requirements through the work-out of proposals by the Validation department: an approval of these proposals by the Market Validation Committee and a final endorsement by the Dexia Management Board.

Standard approach

Dexia uses the standard approach for the foreign exchange and specific interest Market Risk.

Back-testing

Back-testing is performed on a daily basis on the internal model perimeter. The result of the back-testing is the number of losses exceeding their corresponding VaR figures (i.e. "the number of exceptions"). For back-testing purposes, the VaR amounts need to be recalculated using a 1-day holding period. For VaR figures calculated under a parametric approach, rescaling is achieved through the application of a square root of 10 conversions. Risk reports are based on end-of-day positions meaning that risk figures refer to the maximum loss at the chosen confidence interval over the holding period of the portfolio held at the end of the business day. With a 1-day holding period, this figure is compared with the variation of the income statement for the following business day, restated to exclude accounting elements which are not captured by the Value at Risk such as fees, in order to challenge the robustness of the Dexia model better.

Back-testing is performed on both actual and hypothetical changes in the portfolio's value. Hypothetical back-tests are run under the scenarios of change in interest rate alone. The back-testing process provides the Market Risk Management department with a view of the number of exceptions. This number is taken into account , through an addend, to adjust the multiplier used for calculating the bank's risk capital requirements for market risk under the regulatory internal model.

Over one year (from 2Q 2020 to 2Q 2021), 5 back-testing overshoots occurred and the «addend» on capital charge computation is 0.4. Dexia reported three overshoots on actual VaR back-testing over the first semester of 2021 explained by the novations of client swaps in the context of the remedial deleveraging plan.

7.1. EU MR1 – Market risk under the Standardised Approach

		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	551
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	**Securitisation** (specific risk)	-
9	**Total**	**551**

RWA FX are stable over the half-year moving from EUR 573 million as at the end of December 2020 to EUR 551 million as at the end of June 2021.

7.2. EU MR2-A – Market risk under the Internal Model Approach (IMA)

		RWEAs	Own funds requirements
1	**VaR** (higher of values a and b)	68	5
(a)	Previous day's VaR (VaRt-1)		1
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		5
2	**SVaR** (higher of values a and b)	271	22
(a)	Latest available SVaR (SVaRt-1))		4
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		22
3	**IRC** (higher of values a and b)	-	-
(a)	Most recent IRC measure		-
(b)	12 weeks average IRC measure		-
4	**Comprehensive risk measure** (higher of values a, b and c)	-	-
(a)	Most recent risk measure of comprehensive risk measure		-

		RWEAs	Own funds requirements
(b)	12 weeks average of comprehensive risk measure		-
(c)	Comprehensive risk measure - Floor		-
5	**Other**	-	-
6	**Total**	**339**	**27**

Over the half-year, the RWA IM decreased from EUR 457 million to EUR 339 million. The decrease is globally explained by:
- The risk profile of the internal model perimeter which continually decreased since the end of 2020, automatically leading to a decrease in the average of VaR (-14%) and SVaR (-29%) over the half-year;
- and the decrease of the addend /BT overshoot number occurring over the second quarter

7.3. EU MR2-B – RWA flow statements of market risk exposures under the IMA

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	**RWEAs at previous period end**	65	289	-	-	-	354	28
1a	Regulatory adjustment	(53)	(243)	-	-	-	(296)	(24)
1b	RWEAs at the previous quarter-end (end of the day)	13	46	-	-	-	59	5
2	Movement in risk levels							
3	Model updates/changes							
4	Methodology and policy							
5	Acquisitions and disposals							
6	Foreign exchange movements							
7	Other							
8a	RWEAs at the end of the reporting period (end of the day)	12	49	-	-	-	61	5
8b	Regulatory adjustment	56	221	-	-	-	278	22
8	**RWEAs at the end of the reporting period**	68	271	-	-	-	339	27

Over the quarter, the RWA IM continued to decrease mainly due to the decrease of the addend despite the slight increase of risk profile since the mid of the current quarter (explaining the slight increase observed on the SVaR over the quarter).

7.4. EU MR3 – IMA values for trading portfolios

The Dexia trading portfolio is composed of two groups of activity:
- Transactions initiated by financial instrument trading activities until the date on which the Group was placed in orderly resolution, mostly covered back-to-back;
- Transactions intended to hedge risks arising from disinvestments or asset sales within the framework of the orderly resolution plan.

The main risk factors of the trading portfolio are:
- interest rate risk, in particular on the euro zone and the dollar zone,
- cross-currency basis swap risk,
- basis risk BOR-OIS in the same currency.

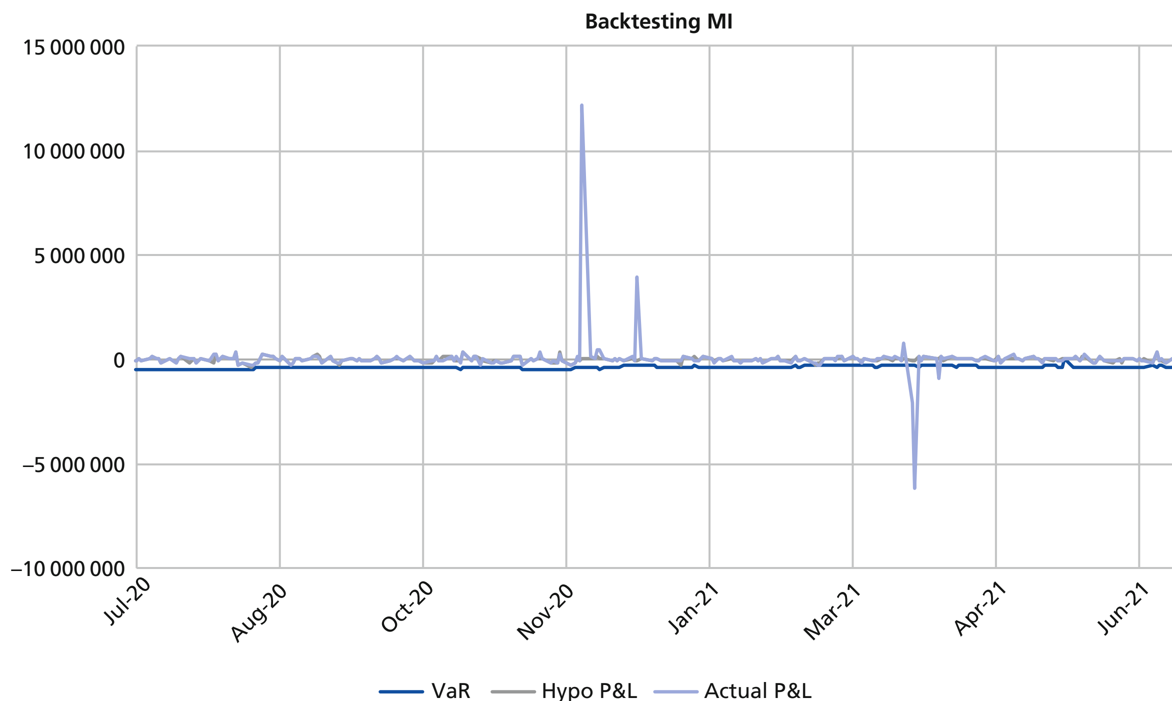
Value adjustments (CVA, DVA, FVA) and their variation are not included in the VaR model but are included in stress scenarios.

The detail of the VaR from the trading portfolios is presented in the following table. As at the end of June 2021, the total consumption in VaR was EUR 1 million against EUR 1.1 million as at the end of December 2020.

VaR (10 day 99%)		
1	Maximum value	1,3
2	Average value	1
3	Minimum value	0,9
4	Period end	0,9
SVaR (10 day 99%)		
5	Maximum value	4,6
6	Average value	3,8
7	Minimum value	3,1
8	Period end	3,9
IRC (99.9%)		
9	Maximum value	0
10	Average value	0
11	Minimum value	0
12	Period end	0
Comprehensive risk measure (99.9%)		
13	Maximum value	0
14	Average value	0
15	Minimum value	0
16	Period end	0

The VaR and SVaR have slightly increased since the beginning of 1Q 2021.

7.5. EU MR4 – Comparison of VaR estimates with gains/losses



The jumps in the value of the VaR are due to the unwind of client swaps.

8. Liquidity requirements

8.1. Dexia's policy on the management of liquidity risk

Dexia's main objective is to manage the liquidity risk in euros and in foreign currencies for the Group, as well as to monitor the cost of funding so as to optimise the Group's results and to minimise volatility.

The liquidity management process aims to optimise the coverage of the Group's funding requirements taking into account the constraints to which it is exposed. Funding requirements are assessed, taking existing transactions into account as well as planned on and off-balance-sheet forecasts.

Dexia has a liquidity buffer, consisting of deposits with central banks and unencumbered liquid assets on the repo market, enabling it to deal with stressed situations for at least one month without the need to take contingency measures. To manage the Group's liquidity situation, the Management Board regularly monitors the conditions for funding transactions on the market segments on which Dexia operates. It also guarantees proper execution of the funding programmes put in place. To that end, a specific and regular mode of information has been introduced:

- A daily and, if necessary, weekly report is provided to members of the Management Board, the State shareholders and guarantors and the supervisory authorities. This information is also used by all parties involved in managing the Dexia Group's liquidity position, in particular the Finance and Risk activity lines in charge of these topics, and the Funding and Markets activity line.
- A twelve-month funding plan is sent monthly to the State shareholders and guarantors, central banks and the supervisory authorities.

Liquidity risk measurement

The measurement of the liquidity risk of the group and its entities is based on the regulatory ratios as defined by European regulations with the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Dexia's liquidity is managed by the Finance activity line, which centralises the refinancing of the Group's entities and supervises the management of the balance sheet of all entities.

The Dexia Group posted a consolidated LCR ratio of 245% as at 30 June 2021 against 222% as at 31 December 2020 in line with these requirements. This ratio is also respected at subsidiary level, each exceeding the minimum requirement of 100%.

The NFSR was also well above the 100% threshold and increased from 136% as at the end of December 2020 to 172% as at the end of June 2021.

8.2. Liquidity Coverage Ratio

8.2.1. EU LIQ1 – Quantitative information

The Liquidity Coverage Ratio (LCR) establishes a minimum level of liquidity for internationally active banks. Its purpose is to ensure that a bank has an adequate level of available unencumbered High Quality Liquid Assets (HQLA), which can be converted into cash to meet its liquidity needs for 30 calendar days in a stress scenario. The ratio is calculated as follows :

LCR = Stock of HQLA / Total net cash outflows

Total net cash outflows over the next 30 calendar days = Total expected cash outflows – {total expected cash inflows; 75% of total expected cash outflows}

The liquidity reserve held by Dexia is made up of almost 60% of cash at the European Central Bank and 40% of assets from central government and local authorities. As at 30 June 2021, this reserve amounted to EUR 15 billion, compared to EUR 16 billion as at 31 March 2021, a decrease of EUR 1.1 billion on HQLA securities. Cash remained stable over the indicated period.

Regarding Dexia's inflows, they are mainly from unsecured transactions and securities maturing during 30 days not included in the stock of HQLA. Dexia's inflows amounted to EUR 1.2 billion as at 30 June 2021 against EUR 2.9 billion as at 31 March 2021.

As for the outflows of Dexia, they are composed of nostro accounts, increased liquidity needs related to downgrade triggers, debt maturing within the calculation period. In June 2021, outflows stand at EUR 7.4 billion against EUR 8.4 billion in March 2021.

The liquidity requirement related to derivative transactions is limited and represents insignificant amounts.

Furthermore, Dexia does not manage the LCR by currency but in all currencies in euro equivalents.

(in EUR million)		Total unweighted value (average)				Total weighted value (average)			
EU 1a		30 June 2021	31 March 2021	31 December 2020	30 September 2020	30 June 2021	31 March 2021	31 December 2020	30 September 2020
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					14,971	16,103	16,816	14,202
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	*Unsecured wholesale funding*	14	33	33	206	6	13	13	82
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	14	33	33	206	6	13	13	82
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					49	69	9	62
10	Additional requirements	4,081	3,980	4,127	4,064	3,602	3,578	3,592	3,586
11	*Outflows related to derivative exposures and other collateral requirements*	3,549	3,533	3,533	3,533	3,549	3,533	3,533	3,533
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	532	448	595	532	53	45	59	53
14	Other contractual funding obligations	3,705	4,732	4,816	4,377	3,705	4,732	4 816	4,377
15	Other contingent funding obligations	443	390	398	415	-	-	-	-
16	TOTAL CASH OUTFLOWS					7,361	8,392	8,431	8,108
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	256	-	-	-	-
18	Inflows from fully performing exposures	101	175	328	66	81	121	165	34
19	Other cash inflows	1,160	2,735	694	1,028	1,160	2,735	694	1,028
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
						-	-	-	-

(in EUR million)		Total unweighted value (average)				Total weighted value (average)			
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	1,262	2,910	1,022	1,350	1,242	2,856	859	1,062
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	1,262	2,910	1,022	1,350	1,242	2,856	859	1,062
TOTAL ADJUSTED VALUE									
21	Liquidity buffer					14,971	16,103	16,816	14,202
22	Total net cash outflows					6,120	5,535	7,572	7,045
23	Liquidity Coverage Ratio					244.63%	290.91%	222.08%	201.59%

8.3. EUR LIQ 2: Net Stable Funding Ratio

		Unweighted value by residual maturity				Weighted value
(in EUR million)		No maturity [1]	< 6months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	Capital items and instruments	6,597	56	-	86	6,684
2	Own funds	6,597	-	-	86	6,684
3	Other capital instruments		56	-	-	-
4	Retail deposits		-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Whole sale funding:		21,115	8,964	32,710	37,551
8	Operational deposits		-	-	-	-
9	Other whole sale funding		21,115	8,964	32,710	37,551
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:		-	-	0	0
12	NSFR derivative liabilities		-	-	-	-
13	All other liabilities and capital instruments not included in the above categories		-	-	0	0
14	Total available stable funding (ASF)					0
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)		-	-	-	1,030
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		380	504	27,553	22,589
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	270	-	135
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		15	4	137	140
20	Performing loans to non-financial corporate clients.loanstoretail and smal lbusiness customers.and loans to sovereigns, and PSEs, of which:		233	200	16,333	12,652
21	With a riskweigh to fless than or equal to 35% under the Base III Standardised Approach for credit risk		165	96	11,806	8,704
22	Performing residential mortgages. ofwhich:		-	-	-	-
23	With a risk weigh to fless than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-

(in EUR million)		Unweighted value by residual maturity				Weighted value
		No maturity [1]	< 6months	6 months to < 1 year	≥ 1 year	
24	Other loans and securities that are not in default and do not qualify as HQLA. including exchange-trade dequities and trade finance on-balance sheet products		132	30	11,084	9,662
25	Interdependent assets		-	-	-	-
26	Otherassets:		-	-	2,469	2,104
27	Physical traded commodities		-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default fundsofCCPs		-	-	2,433	2,068
29	NSFR derivative assets		-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31	All other assets not included in the above categories		-	-	36	36
32	Off-balance sheet items		850	-	-	43
33	Total RSF		-	-	-	25,767

the Net Stable Funding Ratio (NSFR) requires banks to finance a significant portion of their assets with stable resources over a year. The objective is to limit the banks' capacity of maturity transformation, i.e. to refinance their assets with shorter maturities resources. The NSFR is specific to the bank situation and shall be calculated in a static view.

The NSFR is defined as the relation between Available Stable Funding (ASF) and Required Stable Funding (RSF) and must be equal to at least 100%:

$$\frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} \geq 100\ \%$$

As regards Dexia's Available stable funding for the 1st application of CRR2 as at 30 June 2021, the amount was EUR 44.2 billion, mainly composed of other wholesale funding for EUR 37.5 billion. As for the required stable funding, it reached EUR 25.7 billion.

9. Interest Rate Risk on the Banking Book (IRRBB)

The below table introduces:

- The changes of the economic value of equity under the 6 IRRBB scenario shocks defined in Article 84 and Article 98(5) of Directive 2013/36/EU as at the end of June in comparison with the end of December 2020.
- The change of net interest income implied by a parallel shift at +/-100 basis points consistently with Dexia risk framework and as monitored in ALCO committee.

		Changes of the economic value of equity		Changes of the net interest income*	
Supervisory shock scenarios		30 June 2021	31 December 2020	30 June 2021	31 December 2020
1	Parallel up	(417)	(328)	33	51
2	Parallel down	68	21	(33)	(51)
3	Steepener	(147)	(115)		
4	Flattener	41	17		
5	Short rates up	(59)	(32)		
6	Short rates down	31	20		

** The parallel shocks applied to the Net Interest Incorme are +/-100 bps in accordance with the monitoring carried out internally and reported to ALCo.*

The worst IRRBB scenario impacting Economic value represented 6.3% of Dexia Group Tier 1 as at the end of June 2021, whereas the regulatory threshold is 15%.

Appendix 1: mapping table

Name of annex relevant	Article in CRR	Template	Frequency large institutions (listed)	Location in DSA Pillar 3 Report
Disclosure of key metrics and overview of risk-weighted exposure amounts	Article 438	EU KM1 - Key metrics template EU KM1 Bis	Quarterly	2. Key metrics and overview of RWEA
Disclosure of key metrics and overview of risk-weighted exposure amounts	Article 438	EU OV1 - Overview of risk weighted exposure amounts	Quarterly	2. Key metrics and overview of RWEA
Disclosure of own funds	Article	437 EU CC1 - Composition of regulatory own funds	Half-yearly	3. Own funds
Disclosure of own funds	Article 437	EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements	Half-yearly	3. Own funds
Disclosure of countercyclical capital buffers	Article 440	EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Half-yearly	4. Countercyclical capital buffers
Disclosure of countercyclical capital buffers	Article 440 EU	CCyB2 - Amount of institution-specific countercyclical capital buffer	Half-yearly	4. Countercyclical capital buffers
Disclosure of the leverage ratio	Article 451	EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Half-yearly	5. Leverage ratio
Disclosure of the leverage ratio	Article 451	EU LR2 - LRCom: Leverage ratio common disclosure	Half-yearly	5. Leverage ratio
Disclosure of the leverage ratio	Article 451	EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Half-yearly	5. Leverage ratio
Disclosure of credit risk quality	Article 442	EU CQ1: Credit quality of forborne exposures	Half-yearly	6.2. Credit risk exposure
Disclosure of credit risk quality	Article 442	EU CQ4: Quality of non-performing exposures by geography	Half-yearly	6.2. Credit risk exposure
Disclosure of credit risk quality	Article 442	EU CQ5: Credit quality of loans and advances by industry	Half-yearly	6.2. Credit risk exposure
Disclosure of credit risk quality	Article 442	EU CQ7: Collateral obtained by taking possession and execution processes	Half-yearly	6.2. Credit risk exposure
Disclosure of credit risk quality	Article 442	EU CR1: Performing and non-performing exposures and related provisions	Half-yearly	6.2. Credit risk exposure
Disclosure of the use of standardised approach	Article 444	EU CR4 – standardised approach – Credit risk exposure and CRM effects	Half-yearly	6.4. Standard approach
Disclosure of the use of standardised approach	Article 444	EU CR5 – standardised approach (Column "Unrated" under construction)	Half-yearly	6.4. Standard approach
Disclosure of the use of credit risk mitigation techniques	Article 453	EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Half-yearlt	6.5. Credit risk mitigation techniques
Disclosure of exposures to counterparty credit risk	Points (f), (g), (k) and (m) of Article 439	EU CCR1 – Analysis of CCR exposure by approach	Half-yearly	6.6. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Point (h) of Article 439	EU CCR2 – Transactions subject to own funds requirements for CVA risk	Half-yearly	6.6. Counterparty credit risk

Name of annex relevant	Article in CRR	Template	Frequency large institutions (listed)	Location in DSA Pillar 3 Report
Disclosure of exposures to counterparty credit risk	Point (l) of Article 439 referring to point (e) of Article 444	EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights	Half-yearly	6.6. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Point (e) of Article 439	EU CCR5 – Composition of collateral for CCR exposures	Half-yearly	6.6. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Point (j) of Article 439	EU CCR6 – Credit derivatives exposures	Half-yearly	6.6. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Point (i) of Article 439	EU CCR8 – Exposures to CCPs	Half-yearly	6.6. Counterparty credit risk
Disclosure of exposures to securitisation positions	Point (j) of Article 449	EU-SEC1 - Securitisation exposures in the non-trading book	Half-yearly	6.7. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Point (j) of Article 449	EU-SEC2 - Securitisation exposures in the trading book	Half-yearly	6.7. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Point (k)(i) of Article 449	EU-SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Half-yearly	6.7. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Point (k)(ii) of Article 449	EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Half-yearly	6.7. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Point (l) of Article 449	EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Half-yearly	6.7. Focus on securitisation activities
Disclosure of the use of standardised approach and internal model for market risk	Article 445	EU MR1 - Market risk under the standardised approach	Half-yearly	7. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Point (e) of Article 455	EU MR2-A - Market risk under the internal Model Approach (IMA)	Half-yearly	7. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Point (h) of Article 438	EU MR2-B - RWA flow statements of market risk exposures under the IMA	Quarterly	7. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Point (d) of Article 455	EU MR3 - IMA values for trading portfolios	Half-yearly	7. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Point (g) of Article 455	EU MR4 - Comparison of VaR estimates with gains/losses	Half-yearly	7. Market risk
Disclosure of liquidity requirements	Articles 435(1) and 451a	EU LIQ1 - Quantitative information of LCR	Quarterly	8.2. LCR
Disclosure of liquidity requirements	Articles 435(1) and 451a	EU LIQB on qualitative information on LCR, which complements template EU LIQ1	Quarterly	8.2. LCR
Disclosure of liquidity requirements	Articles 435(1) and 451a	EU LIQ2: Net Stable Funding Ratio	Half-yearly	8.3. Net stable funding ratio
Disclosure of information on exposures to interest rate risk on positions not held in the trading book	Article 448	EU IRRBB1 - Interest rate risks of nontrading book activities	Half-yearly	9. Interest Rate Risk on the Banking Book (IRRBB)

Name of annex relevant	Article in CRR	Template	Frequency large institutions (listed)	Location in DSA Pillar 3 Report
Disclosure of credit risk quality	Article 442	EU CR1-A: Maturity of exposures	Half-yearly	Because of technical issue, this table will be published at 31 December 2021. a view as of 31 December 2020 is available on the annual report page 148
Disclosure of credit risk quality	Article 442	EU CR2: Changes in the stock of nonperforming loans and advances	Half-yearly	Only required for high NPL (non-performing loans) entities with a threshold ratio on NPL of 5% or above. The NPL of DSA is below this 5% threshold and therefore this templates is not applicable.
Disclosure of credit risk quality	Article 442	EU CR2a: Changes in the stock of nonperforming loans and advances and related net accumulated recoveries	Half-yearly	
Disclosure of credit risk quality	Article 442	EU CQ2: Quality of forbearance	Half-yearly	
Disclosure of credit risk quality	Article 442	EU CQ6: Collateral valuation - loans and advances	Half-yearly	
Disclosure of credit risk quality	Article 442	EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	Half-yearly	
Disclosure of the use of the IRB approach to credit risk		EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range	Half-yearly	In the first quarter of 2021 Dexia received the supervisory approval to apply the Standard Approach for the calculation of credit risk weighted assets. As a result from that date, Dexia no longer applies the AIRB approach for credit risk weighted calculation
Disclosure of the use of the IRB approach to credit risk	Point (j) of Article 453	EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques	Half-yearly	
Disclosure of the use of the IRB approach to credit risk	Point (g) of Article 453	EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques	Half-yearly	
Disclosure of the use of the IRB approach to credit risk	Point (h) of Article 438	EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach	Quarterly	
Disclosure of specialised lending	Point (e) of Article 438	EU CR10 – Specialised lending and equity exposures under the simple risk-weighted approach	Half-yearly	
Disclosure of exposures to counterparty credit risk	Point (l) of Article 439 referring to point (g) of Article 452	EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale	Half-yearly	
Disclosure of exposures to counterparty credit risk	Point (h) of Article 438	EU CCR7 – RWEA flow statements of CCR exposures under the IMM	Quarterly	