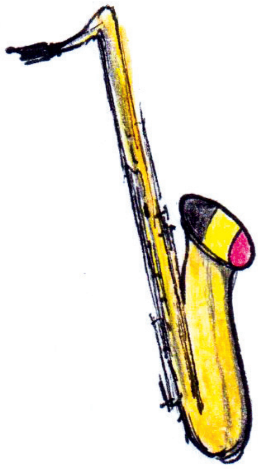
2021



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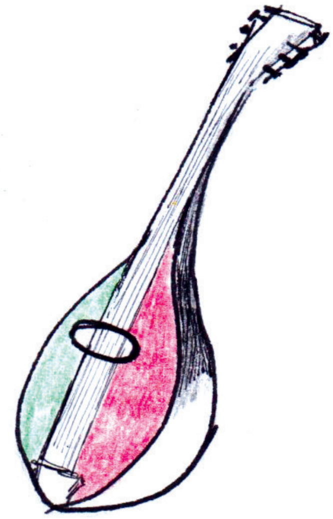
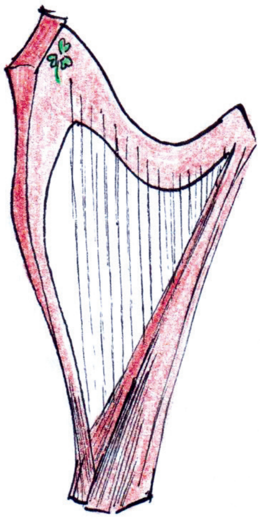


RISK REPORT

PILLAR 3 OF BASEL III

2021



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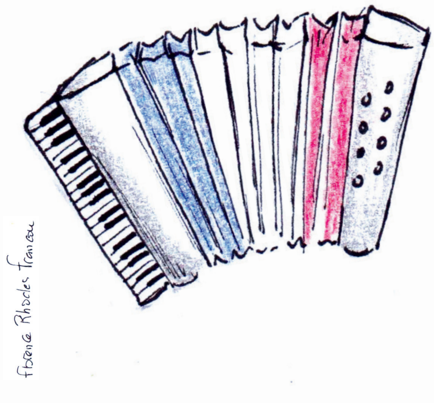
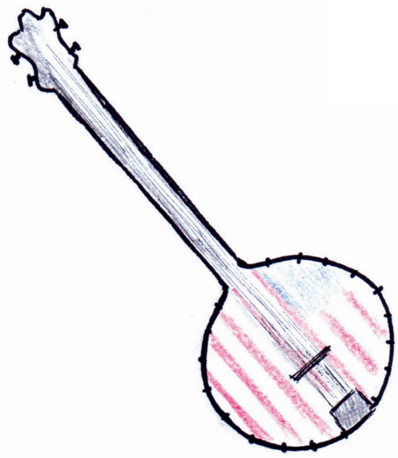


DEXIA



Contents

Declaration on the publication requirements of Pillar 3

The Management Board and the Board of Directors 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) n° 575/2013 (CRR) amended by regulation n° 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 31 December 2021, was subjected to the same level of internal control as the information in the Financial Report.

Paris, 14 June 2022

For the Management Board of Dexia

Giovanni Albanese Chief Risk Officer	Véronique Hugues Chief Financial Officer

1. Introduction

Dexia is the only bank in resolution to have retained its banking status. It is managed in accordance with the orderly resolution plan validated by the European Commission in December 2012. As such, the Group no longer has any commercial activity and manages a considerable and highly complex balance sheet. Management in resolution aims to avoid any systemic risk and any further recourse to French and Belgian taxpayers.

However as a financial institution Dexia is still exposed to risks that are typical for the financial sector, including both financial risks (e.g. credit risk, market risk, liquidity risks) and non-financial risks (e.g. operational risks, compliance risks) adequately managed.

The most important regulations governing risk and capital management are the Basel III capital requirements applying to banking entities. Dexia follows the Basel III capital requirements in accordance with the current Capital Requirements Regulation, CRR2. The finalisation of the Basel III post-crisis reforms (commonly referred to as Basel IV) will be applied when these have been transposed into CRR3.

The 2021 Risk report is based on Basel III's third pillar and in accordance with the resulting disclosure requirements of the Capital Requirements Regulation and Capital Requirements Directive (CRR/CRD) of the European Union. For the first time in the full-year Risk Report, the CRR2-related disclosure templates have been integrated according to regulatory requirements. With the introduction of these disclosure templates as from the second quarter of 2021, the regulatory authorities aim to reinforce market discipline by increasing the consistency and comparability of institutions' public disclosures on the one hand and achieving the ultimate data transparency and reconciliation between external reporting, such as the Pillar 3 disclosures, and supervisory reporting based on FINREP and COREP data on the other hand.

Information in this Risk Report is disclosed at the highest consolidated level, Dexia.

A brief overview of the '3 Pillars' Framework of Basel III

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 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 (more details on 3.3 Internal model).

In terms of market risk, Dexia calculates its capital requirements on the basis of both the Internal Model Approach and the Standardised Approach for general interest rate risk and the Standardised Approach for 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 second Pillar, related to the supervisory review process, 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.

The requirements of the third Pillar are met by this publication.

An internal validation process at a Dexia level guarantees the quality of the information provided.

The Pillar 3 report is a joint publication by the Risk Management and Communication departments. The Management Board is responsible for final validation of the Pillar 3 disclosure. 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 since 2008. The disclosure was organised on an annual basis together with the publication of the Annual Report until 31 December 2020. As from the second quarter of 2021, the regulatory authorities aim to reinforce market discipline. From then on Dexia publishes its Risk report on a quarterly basis.

The information disclosed through this Risk report takes into account the publication requirements of Pillar 3 of the Basel agreements, transposed into European law through regulation (EU) n° 575/2013 (CRR) amended by regulation n° 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 Dexia's website: www.dexia.com.

The figures in the tables displayed in this report are provided in millions of Euros (EUR) and as at 31 December 2021 unless otherwise stated.

2. Risk management objectives and policies

Dexia Group policy on risks is defined and supervised by the Board of Directors.

The role of the Risk activity line is to implement the Group's strategy on monitoring and managing risk and to put independent and integrated risk measures in place. The Risk activity line identifies and monitors the risks to which the Group is exposed. If necessary, it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of provisions deemed necessary to cover the risks to which the Group is exposed.

The main tasks of the Risk activity line are to:
- Define and control the bank's risk appetite and provide relevant independent information, analyses and expert judgement on risk exposures, and advice on proposals and risk decisions made by the management bodies, other business divisions or support units as to whether they are consistent with the risk tolerance and appetite;
- Set up risk policies, guidelines, calculation methodologies and limits to constrain risk generated by the bank activities;
- Ensure that each key or emerging risk is identified and properly managed by the relevant units in the institution and that a comprehensive overview of all relevant risks is submitted to the management body;
- Establish a comprehensive and integrated assessment of risks: integrated risk map with appropriate granularity of risk factors, demonstrating diversification and major sensitivities/vulnerabilities in order to assess the adequacy of capital to Dexia's risk profile;
- Control and monitor credit, market and operational risks;
- Design / review internal models and carry out model performance assessment, including calibration of model buffers when needed;
- Anticipate negative risk evolution so that action can be taken by the bank to mitigate such risk;
- Manage strategic and regulatory projects proactively and evaluate the potential impact of regulatory evolutions;
- Set frameworks for the better identification of areas of increasing operational risk so that dedicated mitigating action plans can be implemented by the relevant activity lines;
- Maintain appropriate data-warehouses and risk systems ensuring timely and accurate regulatory and internal risk reporting;
- Implement best risk management practices in the entire Group and maintain efficient coordination with the risk units of subsidiaries and branches;
- Recommend improvements to the risk management framework and options to remedy breaches of risk policies, procedures and limits.

Information flow on risk to the management body (Management Board, Board of Directors or Risk Committee) is organised through regular presentations including:
- The Quarterly Risk Report and sector annual reviews;
- The Risk Appetite Framework monitoring (quarterly);
- Model validation status;
- New or updates of risk policies;
- Annual disclosures in regulatory risk related reports, including ICAAP/ILAAP reports and outcomes of Pillar 2 related analyses;
- Presentations on expected changes in the regulatory and prudential framework impacting the bank's models and systems;
- Recommendations on the risk monitoring framework and operational management of Group risks under the supervision of the Transaction Committee.

2.1. Organisation

Role of the Risk Committee, the Management Board, the Market Risk Committee, the Transaction Committee and the ALCO

The Risk Committee, created within the Dexia Board of Directors is responsible for monitoring aspects relating to risk strategy and validation of the level of tolerance of both current and future risk, as defined by the Board of Directors. It assists the Board of Directors in its supervision of the implementation of that strategy.

The Management Board is responsible for implementation of the various policies and directives framing Group strategy, particularly with regard to risk. To facilitate Group operations, a system of delegation of Management Board powers has been put in place.

The Management Board delegates its decision-taking powers in relation to:
- operations giving rise to credit risk to a Transaction Committee;
- balance sheet management to an ALCO Committee;
- market operations to a Market Risk Committee.

The Risk activity line establishes risk policies and submits its recommendations to the Management Board and to the sub-committees. It deals with the monitoring and operational management of Group risks under the supervision of those committees.

More detailed information on the Risk Committee, the Management Board, the Transaction Committee and the ALCO Committee is provided in the chapter "Governance" of Dexia's Annual Report 2021.

Organisation of the Risk activity line

The decision-taking body of the activity line is the Risk Management Executive Committee.

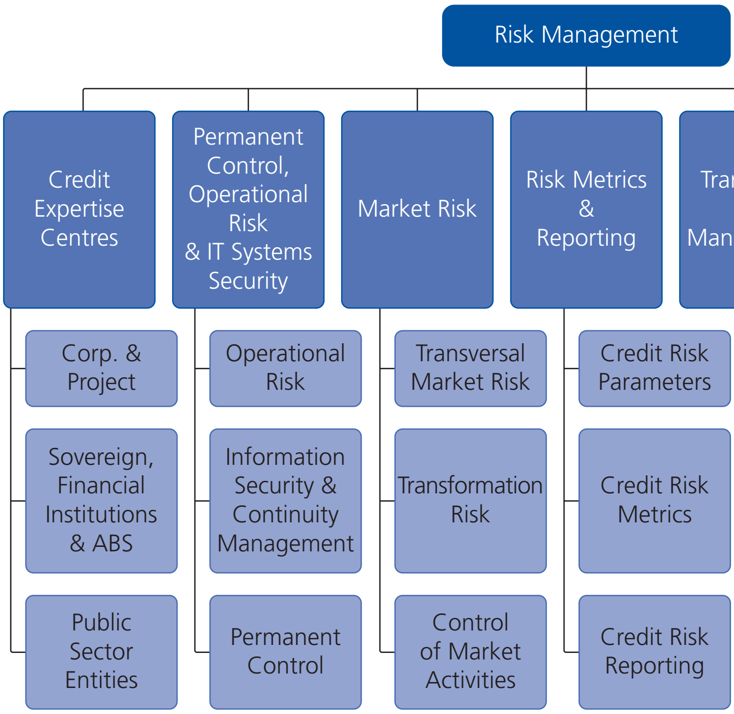
As at 31 December 2021 the Risk Management Executive Committee is chaired by the Chief Risk Officer and each department is represented within it:
- Credit Analysis Centres department,
- The Market Risk department,
- The Permanent Control, Operational Risk and IT Systems Security department,
- The Risk Models, Quantification and Default Monitoring department,
- The Transversal Risk Management department,
- The Internal Validation department,
- The Risk Metrics & Reporting department.

The Data Regulatory Expertise department, although attached to the Finance Division, participates in the Risk Management Executive Committee.

It meets on a weekly basis to review risk management strategies and policies as well as the main internal reports prior to their dissemination outside the activity line. In addition, it is responsible for monitoring regulatory issues, validating collective provisioning methodologies and the general organisation of the activity line. Finally, it also monitors key issues related to Accounting Control and Compliance.

In particular, the Risk Management Executive Committee is responsible for monitoring internal models (developments, reviews, back-testing, stress testing) on proposals from the teams responsible for the management of credit models and default monitoring and the market risk team. It regularly informs the Management Board and the Risk Committee of the use of models and, as the case may be, developments and/or difficulties encountered.

The organisation and operation of the activity line also relies on certain committees, the prerogatives of which are governed by a system for the delegation of powers, defined in relation to the nature of the risks to which the Group is exposed.



The Risk Appetite Framework

The Risk Appetite Framework (RAF) is a regulatory requirement which defines Dexia's level of risk tolerance and falls within the implementation of Dexia strategy. It defines the Group's risk profile and qualifies the types of risk which Dexia is inclined to hold, minimise, attenuate or transfer in order to achieve its strategic objectives. The RAF considers Dexia's significant risks and relies on Dexia's strategy and capital forecasts.

The RAF was introduced in Dexia in 2016. It includes a declaration of risk appetite, qualitative and quantitative risk limits and an overview of the roles and responsibilities of bodies and functions which supervise implementation and monitoring.

It is subject to regular monitoring and an annual review in order to integrate any new regulatory, strategic or operational development. Indeed, the RAS and RAF indicators were updated during 2021, within the context of the Covid-19 crisis but also to strengthen the steering framework of outsourced activities, in line with Dexia's organisational model. A quarterly consolidated schedule is presented by Risk management to the Risk Committee and to the Board of Directors, with the aim of close and in-depth monitoring of the main risk indicators and of informing the Group's decision-making bodies.

Credit risk

Credit risk represents the potential loss, materialised by the reduction in value of an asset or by the payment default which Dexia may suffer as the result of deterioration in the solvency of a counterparty.

The Credit Analysis Centres department defines the Group's credit risk policy, which encompasses supervision of the processes for rating counterparties, analysing credit files and monitoring exposures within the Group. It also proposes the specific provisions presented quarterly when the accounts are approved by the Board of Directors.

Along with the Risk Committee, the Management Board and the Transaction Committee, the following three committees meet on a quarterly basis:

- The Watch-list Committee supervises assets considered "sensitive", placed under watch, and decides on the amount of impairments set aside;
- The Default Committee screens and monitors counterparties in default by applying Group internal rules, in compliance with the regulatory framework;
- The Rating Committee ensures that internal rating processes are aligned with the established principles and that those processes are consistent across the Group's various entities.

Market risk

Market risk represents the Group's exposure to changes in market parameters, such as interest and exchange rates. Interest rate risk consists of structural interest rate risk and specific interest rate risk associated with a given credit counterparty. The latter arises from fluctuations in the credit spread on specific counterparties within a rating class. The foreign exchange risk represents the potential decrease in the value of assets arising from fluctuations in exchange rates against the euro, which is the reference currency in which the Dexia Group prepares its financial statements. The interest rate and foreign exchange risk of the positions within the banking portfolio are part of the transformation risk.

Market risk policy and management are in the hands of the Management Board. To facilitate the Group's operational management, a system of delegated authority has been put in place:

- The Market Risk Committee is responsible for market risk governance and standards. It defines the risk limits that form the general framework for the Group's risk policy, analyses risk results and positions and approves risk measurement methods. It meets on a monthly basis.
- The Valuation and Collateral Monitoring Committee meets on a monthly basis to analyse indicators relating to collateral management, to decide on action plans for significant valuation differences and to monitor the valuation of structured products.

Under the aegis of the Management Board and specialist risk committees, the Market Risk department identifies, analyses and monitors risks and results (including financial instrument valuations) associated with market activities.

Transformation risk

Monitoring transformation risk involves monitoring the risk of loss associated with the transformation of the banking portfolio as well as liquidity risk. Transformation risk arises when assets are refinanced by resources presenting a different maturity, indexation or currency. It includes structural risks associated with the financing of holdings with equity in foreign currencies. Liquidity risk measures Dexia's ability to deal with its current and future cash requirements, both on a discounted basis and in the event of a deterioration of the Group's environment, on the basis of a range of stress scenarios.

Within the Risk activity line, a dedicated ALM Risk team is in charge of defining the risk framework within which management may be placed in the hands of the Financial Strategy team within the Finance activity line, of validating the models used to manage that risk and of monitoring exposures and checking compliance with Group standards. ALM Risk also defines the stresses to be applied to the various risk factors, proposes the risk acceptance levels and ensures that it complies with the regulatory framework in force.

Operational risk and IT systems security

Operational risk represents the risk of financial or non-financial impacts arising from a shortcoming or failure in internal processes, personnel or information systems, or external factors. This definition includes IT, legal and compliance risks.

The Management Board regularly monitors the evolution of the risk profile of the various Group activities and delegates the operational management of risk monitoring to the specialist committees dealing with operational risks led by the Operational Risk function. During these committees the main risks identified and decides on the corrective actions to be taken. It validates measurement, prevention or improvement proposals in relation to the various elements of the mechanism.

A committee dedicated to business continuity and IT systems security examines and decides on the actions to be taken to ensure business continuity and the implementation of the IT systems security policy. Operational risk, activity continuity and IT systems security management are coordinated by a central team within the Risk activity line supported by a network of correspondents within all entities, as well as within the Group's various departments. Within each activity domain, an operational risk correspondent coordinates data collection and assesses risks and proposes and monitors remediation action plans. Supported by the operational risk management function and via communication channels put in place specifically to guide the "community" of correspondents, it ensures good operational continuity management.

Regulatory risk

To ensure a proactive response to the various regulatory requirements, the Regulatory Risk Committee is responsible for defining Dexia's general approach to prudential problems and ensuring exhaustive cover for the various regulatory topics. It informs the different activity lines of the main regulatory developments, asks for and organises the various impact analyses and liaises with the various international entities on the implementation of new reforms.

ICAAP/ILAAP

The "Stress Tests and Pillar 2" Committee, under the joint responsibility of the Finance and Risk activity lines, steers the internal ICAAP and ILAAP processes. This committee approves all matters concerning governance, risk measures and results before they are submitted to the Management Board, the Risk Committee and the Board of Directors.

In addition to regular regulatory and economic stress tests, particular attention has been paid to the potential impacts of the health crisis. The ICAAP and ILAAP results are independently analyzed by the Internal Validation department. In continuity with previous years, analyses of the risks of deviations from the strategic plan were carried out for the ICAAP/ILAAP file (subject to exchanges with the regulators within the framework of the SREP) as well as ad hoc analyses to support strategic choices.

2.2. Governance

The elements related to the description of governance arrangements pursuant to Article 435 §2 of the Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR") are disclosed in the section entitled "Declaration of corporate governance" of Dexia Crédit Local's Annual Report 2021, as well as, if needed at a Dexia level, in the section entitled "Governance" published in Dexia's Annual Report 2021.

For further information, please refer to the section "Internal control and risk management system".

3. Dexia's key figures and risk profile

In 2021, the Risk activity line continued actively to manage the risk carried by Dexia, in line with the Risk Appetite Framework (RAF). This framework which includes risk indicators for solvency, liquidity, profitability, operational and business continuity, aims to define principles for assessing any deviation of the risk profile from the strategic plan approved by the Group's management bodies.

In a context still affected by the Covid-19 pandemic, the Group continued to deploy the necessary means to protect its teams and to ensure operational continuity. The department in charge of monitoring operational risks was fully involved in the implementation of the teleworking framework, thus ensuring the continuation of all activities within a reinforced security framework.

The gradual attenuation of the impact of the pandemic resulted in a positive cost of risk of EUR +117 million in 2021, mainly due to the favorable update of the macroeconomic parameters used for the assessment of expected credit losses under IFRS 9 and to the review of sensitive sectors carried out by the Group.

During the year, Dexia pursued its asset disposal program, focused mainly on project and corporate finance and public sector assets. The Group also reduced its concentration risk by disposing of outstanding loans to the Republic of Italy and the State of Illinois.

Since 30 June 2021, Dexia has been applying the new CRR2 regulation impacting both the calculation of Exposure at Default (EAD) and risk-weighted assets as well as prudential reporting.

Outsourcing contracts, in particular the agreements between Dexia and Cognizant regarding IT and Back-Office services as well as IT infrastructure, are closely monitored, in particular through indicators from the Risk Appetite Framework.

Dexia is closely monitoring the repercussions of the conflict in Ukraine on the financial markets and, more generally, on the geopolitical context. The Group has no direct exposure to Ukraine or Russia. It has an indirect exposure to the Croatian subsidiary of a Russian bank, via a deposit of an insignificant amount. Moreover, Dexia has no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

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).

Prudential requirements applicable to Dexia with regard to solvency

On 7 January 2021, the *Autorité de Contrôle Prudentiel et de Résolution* (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 health crisis, the Total SREP Capital Requirement (TSCR) 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 Tier1 and 75% Tier 1 capital.

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.

On 29 October 2021, the ACPR informed Dexia that the total capital requirement of 11.25% on a consolidated basis was maintained in 2022. This level includes a minimum capital requirement of 8% (Pillar 1) and an additional capital level of 3.25% (P2R - Pillar 2 requirement) to be covered at least by 56.25% by Common Equity Tier 1 and 75% by Tier 1 capital.

The temporary easing measures taken by the ECB in April 2020, involving the relaxation of the capital conservation buffer and additional capital (P2G - Pillar 2 guidance), remain applicable in 2022. The High Council for Financial Stability has also decided to maintain the level of countercyclical buffer at 0% in 2022. The Bank of England has announced an increase in the countercyclical buffer to 1% from 13 December 2022. Including the impact of the countercyclical buffer on UK exposures, estimated at 0.5%, Dexia's capital requirement will amount to 11.25% in the first three quarters of 2022 and 11.75% in the fourth quarter of 2022.

On 5 February 2021, the ACPR also confirmed to Dexia the maintenance, until 30 June 2022, of a tolerance which allows it to deduct from its Common Equity Tier 1 regulatory capital the economic impact of remedying a breach of the large exposure ratio for one exposure.

Dexia's risk profile is illustrated by the following key figures as at 31 December 2021.

3.1. EU KM1 - Key metrics

(in EUR million)		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	6,410	6,667	6,588	6,684	6,795
2	Tier 1 capital	6,420	6,676	6,597	6,693	6,814
3	Total capital	6,506	6,763	6,684	6,780	6,891
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	20,580	21,809	23,134	23,146	24,196
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	31.15%	30.57%	28.48%	28.88%	28.08%
6	Tier 1 ratio (%)	31.19%	30.61%	28.52%	28.92%	28.16%
7	Total capital ratio (%)	31.61%	31.01%	28.89%	29.29%	28.48%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.25%	3.25%	3.25%	3.25%	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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00	0.00	0.00	0.00	0.00
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 (%)	24.82%	24.24%	22.15%	NA	NA
	Leverage ratio					
13	Total exposure measure	75,232	77,893	82,066	78,032	82,575
14	Leverage ratio (%)	8.53%	8.57%	8.04%	8.58%	8.25%
	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 (%)	0.00%	0.00%	0.00%	NA	NA
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	*0.00%*	*0.00%*	*0.00%*	*NA*	*NA*
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	NA	NA
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	NA	NA
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	NA	NA
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	14,427	16,538	14,971	16,103	16,816
EU 16a	Cash outflows - Total weighted value	9,142	7,530	7,361	8,392	8,431
EU 16b	Cash inflows - Total weighted value	968	1,147	1,242	2,856	859
16	Total net cash outflows (adjusted value)	8,174	6,383	6,120	5,535	7,572
17	Liquidity coverage ratio (%)	176.50%	259.10%	244.63%	290.91%	222.08%
	Net Stable Funding Ratio					
18	Total available stable funding	39,102.13	42,314.44	44,235.23	NA	NA
19	Total required stable funding	23,927.20	24,870.28	25,766.77	NA	NA
20	NSFR ratio (%)	163.42%	170.14%	171.68%	NA	NA

3.2. EU KM1 bis

As Dexia decided to apply transitional arrangements regarding expected credit losses recognized under IFRS 9, the table below discloses the amount of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as well as the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio, the Total capital ratio and the Leverage ratio, each time with and without the application of the transitional arrangements.

(in EUR million)		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
	Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	6,410	6,667	6,588	6,684	6,795	6,613
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,322	6,473	6,394	6,468	6,519	6,332
3	Tier 1 capital	6,420	6,676	6,597	6,693	6,814	6,633
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,331	6,482	6,403	6,478	6,539	6,351
5	Total capital	6,506	6,763	6,684	6,780	6,891	6,709
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,418	6,569	6,490	6,564	6,615	6,428
	Risk-weighted assets (amounts)						
7	Total risk-weighted assets	20,580	21,809	23,134	23,146	24,196	25,405
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,520	21,700	23,013	23,006	24,024	25,226
	Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	31.15%	30.57%	28.48%	28.88%	28.08%	26.03%
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	30.81%	29.83%	27.78%	28.11%	27.14%	25.10%
11	Tier 1 (as a percentage of risk exposure amount)	31.19%	30.61%	28.52%	28.92%	28.16%	26.11%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	30.85%	29.87%	27.83%	28.16%	27.22%	25.18%
13	Total capital (as a percentage of risk exposure amount)	31.61%	31.01%	28.89%	29.29%	28.48%	26.41%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	31.28%	30.27%	28.20%	28.53%	27.54%	25.48%
	Leverage ratio						
15	Leverage ratio total exposure measure	75,232	77,893	82,066	78,032	82,575	81,365
16	Leverage ratio	8.53%	8.04%	8.04%	8.58%	8.25%	8.15%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.42%	7.80%	7.80%	8.30%	7.92%	7.81%

3.3. EU OV1 - Overview of risk weighted exposure amounts

The following table shows the risk-weighted assets (RWA) and own funds requirement as at 31 December 2021.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
(in EUR million)		31/12/2021	30/09/2021	31/12/2021
1	**Credit risk (excluding CCR)**	**15,571**	**16,387**	**1,246**
2	*Of which the standardised approach*	*15,426*	*16,162*	*1,234*
6	**Counterparty credit risk - CCR**	**2,216**	**2,701**	**177**
7	*Of which the standardised approach*	*1,651*	*1,919*	*132*
EU 8a	*Of which exposures to a CCP*	*98*	*94*	*8*
EU 8b	*Of which credit valuation adjustment - CVA*	*342*	*373*	*27*
9	*Of which other CCR*	*125*	*315*	*10*
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**808**	**819**	**65**
18	*Of which SEC-ERBA (including IAA)*	*459*		*36,69*
EU 19a	*Of which 1250%/ deduction*	*349*		*27,92*
20	**Position, foreign exchange and commodities risks (Market risk)**	**985**	**902**	**79**
21	*Of which the standardised approach*	575	523	46
22	*Of which IMA*	*410*	*380*	*33*
EU 22a	**Large exposures**	-	-	-
23	**Operational risk**	**1,000**	**1,000**	**80**
EU 23b	*Of which standardised approach*	25	51	2
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	**1**	**1**	**0**
29	**TOTAL**	**20,580**	**21,809**	**1,646**

As at 31 December 2021, the risk-weighted assets amounted to EUR 20.6 billion, of which EUR 17.8 billion for credit risk (including CCR), EUR 1 billion for market risk and EUR 1 billion for operational risk (including a buffer of 0.9 billion).

According to the regulation, capital requirements for operational risk have been calculated according to the standard approach, based on the net banking income positive run rate per activity. This level of activity is however not directly relevant for reflecting the 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 the capital allocated for the operational risk.

4. Own funds

4.1. EU CC2 - Reconciliation of audited regulatory own funds to balance sheet

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 accounts;
- 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 whose contribution 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.

	(in EUR million)	Balance sheet as in published financial statements (same as under regulatory scope of consolidation) 31/12/2021	Reference (EU CC1)
	Assets - ***Breakdown by asset classes according to the balance sheet in the published financial statements***		
1	Cash and central banks	9,753	Assets r1
2	Financial assets at fair value through profit or loss	9,280	Assets r2
3	Hedging derivatives	662	Assets r3
4	Financial assets at fair value through other comprehensive income	1,902	Assets r4
5	Financial assets at amortised cost - Debt securities	34,767	Assets r5
6	Financial assets at amortised cost - Interbank loans and advances	17,308	Assets r6
7	Financial assets at amortised cost - Customer loans and advances	24,506	Assets r7
8	Fair value revaluation of portfolio hedges	298	Assets r8
9	Current tax assets	28	Assets r9
10	Deferred tax assets	-	Assets r10
11	Accruals and other assets	116	Assets r11
11a	*of which Defined-benefit pension fund assets*	1	Assets r11a
12	Tangible fixed assets	23	Assets r12
13	Intangible assets	7	Assets r13
	TOTAL ASSETS	**98,650**	
	Liabilities - ***Breakdown by liability classes according to the balance sheet in the published financial statements***		
1	Financial liabilities at fair value through profit or loss	10,116	Liabilities r1
2	Hedging derivatives	16,714	Liabilities r2
3	Interbank borrowings and deposits	6,451	Liabilities r3
4	Customer borrowings and deposits	8,819	Liabilities r4
5	Debt securities	49,406	Liabilities r5
6	Fair value revaluation of portfolio hedges	1	Liabilities r6
7	Current tax liabilities	1	Liabilities r7
8	Deferred tax liabilities	85	Liabilities r8

(in EUR million)		Balance sheet as in published financial statements (same as under regulatory scope of consolidation) 31/12/2021	Reference (EU CC1)
9	Accruals and other liabilities	261	Liabilities r9
10	Provisions	209	Liabilities r10
11	Subordinated debt	20	Liabilities r11
	TOTAL LIABILITIES	**92,083**	
	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	4,649	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*	*(14,160)*	Equity r2c
3	Gains and losses directly recognised in equity	(293)	Equity r3
3a	*of which change in fair value of financial instruments measured at fair value through other comprehensive income, net of taxes*	*(61)*	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*	*(251)*	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*	*28*	Equity r3d
3e	*of which other*	*(9)*	Equity r3e
4	Net result of the period	(334)	Equity r4
5	Minority interests	56	Equity r5
	TOTAL EQUITY	**6,567**	
	TOTAL LIABILITIES AND EQUITY	**98,650**	

4.2. EU CC1 - Composition of regulatory own funds

(in EUR million)		31/12/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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)	(14,402)	Equity r1b + Equity r2c+ Equity r3
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	6,806	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(173)	
8	Intangible assets (net of related tax liability) (negative amount)	(7)	Assets r13

(in EUR million)		31/12/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
9	Not applicable		
10	Deferred tax assets that 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)	0	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	251	Equity r3b
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(28)	Equity r3d
15	Defined-benefit pension fund assets (negative amount)	(1)	Assets r11a
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(1)	Equity r1c
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	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	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	
EU-25a	Losses for the current financial year (negative amount)	(334)	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	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjusments	(103)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(396)	
29	**Common Equity Tier 1 (CET1) capital**	6,410	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	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	
	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	

(in EUR million)		31/12/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	
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)**	6,420	
	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	0	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0	
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	
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	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
56b	Other regulatory adjusments 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)**	6,506	
60	**Total risk exposure amount**	20,580	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1	31.15%	
62	Tier 1	31.19%	
63	Total capital	31.61%	
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	0	

(in EUR million)		31/12/2021	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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)	0	
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)	164	
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)	-	

As at 31 December 2021, the total capital of the Dexia Group amounted to EUR 6.5 billion, against EUR 6.9 billion as at 31 December 2020. This decrease is mainly due to the negative net result of the year (EUR -334 million).

As at 31 December 2021, two significant items are deducted from regulatory capital, in line with European Central Bank (ECB) requirements:

- the theoretical loss amount corresponding to the remediation of non-compliance with the large exposures ratio which amounted to EUR -51 million (row 27a),
- the amount of irrevocable payment undertakings (IPC) to resolution funds and other guarantee funds, which amounted to EUR -68 million (row 27a).

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 supplement for specific provisions (row 27a).

The additional value adjustments taken into account in the regulatory capital within the framework of the Prudent Valuation Adjustment (PVA) amounted to EUR -173 million as at 31 December 2021, against EUR -190 million as at 31 December 2020. It should be noted that the increase of the diversification factor authorized by the 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, was not renewed in 2021 (row 7).

The impact of the 50% mitigation on the increase in the level of expected credit loss provisions due to the application of IFRS 9 (static phase-in) amounted to EUR +88 million as at 31 December 2021 (row 27a).

Finally, against the background of the Covid-19 crisis, Dexia made use, in 2020 and 2021, of the temporary adjustment to the CRR allowing the reintegration in regulatory capital of any new expected credit losses booked under IFRS 9 (dynamic phase-in). Taking into account the improvement of the situation at the end of 2021, Dexia has not recorded any amount for the dynamic phase-in as at 31 December 2021. The impact was EUR +152 million as at 31 December 2020.

As at 31 December 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 31 December 2021, the amount of Dexia's additional equity (Tier 2 Capital) amounted to EUR 86 million, composed of the reclassified hybrid debts.

Dexia's revised orderly resolution plan includes certain restrictions concerning the payment of coupons and the exercise of calls on subordinated debt and hybrid capital from the Group's issuers. In this way, Dexia is constrained not to pay coupons on hybrid capital issued by Group issuers. So Dexia is constrained only to pay coupons on its subordinated debt instruments and hybrid capital if there is a contractual obligation to do so. In addition, Dexia cannot exercise any discretionary options for the early redemption of these securities. Finally, the Dexia Group is not authorized to repurchase hybrid capital debt issued by Dexia Funding Luxembourg (XS0273230572), and by Dexia Crédit Local (FR0010251421), as subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions which have been granted State aid.

4.3. EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

		Qualitative or quantitative information - Free format
1	Issuer	Dexia Funding Luxembourg S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	XS0273230572
2a	Public or private placement	Private placement
3	Governing law(s) of the instrument	The law of England
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1
5	Post-transitional CRR rules	Ineligible from 1 January 2022
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Undated direct unsecured and subordinated obligations/Fixed rate/ Floating rate perpetual non-cumulative guaranteed securities (CRR Art. 484)
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 39,788,000
9	Nominal amount of instrument	EUR 500,000,000
EU-9a	Issue price	100 per cent
EU-9b	Redemption price	100 per cent of the original principal amount base redemption price for each security means (i) 100 per cent. of the original principal amount of the security, plus (ii) an amount equal to unpaid interest, if any, thereon with respect to the then current Interest period accrued on a daily basis to the date fixed for redemption
10	Accounting classification	Capital stock and related reserves
11	Original date of issuance	31 Octobre 2006
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes

	Qualitative or quantitative information - Free format	
15	Optional call date, contingent call dates and redemption amount	On the first call date and on any subsequent interest payment date. Thereafter, the issuer, subject to having given not less than 30, and not more.
16	Subsequent call dates, if applicable	2 November 2016 or on any subsequent interest payment date after the first call
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed to floating (see hereunder, row 18)
18	Coupon rate and any related index	Fixed rate of 4.892 % per annum from 2 November 2006 to the first call date.Thereafter quarterly in arrear, at a rate equal to 3 month EURIBOR plus a margin of 1.78 per cent per annum.
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary except when terms of payment are mandatory: The Issuer will have the right by giving not less than 30 nor more than 60 days' notice to the Securityholders on the First Call Date or on any subsequent Interest Payment Date to redeem the Securities. Mandatory redemption: Tax Event or Tier 1 Disqualification Event.
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary except when terms of payment are mandatory: The Issuer will have the right to redeem the Securities in whole (but not in part) at a redemption price equal to the Base Redemption Price. Mandatory redemption: Tax Event or Tier 1 Disqualification Event
21	Existence of step up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	If capital increase is not approved by the extraordinary shareholders' meeting or is not sufficient.
32	If write-down, full or partial	Fully: To the extent an increase of share capital or other measures are not sufficient, the Loss Absorption will be applied against the Current Principal Amount of the Securities. Or Partially: unless the principal amount of the Securities is reinstated (which could occur if the Guarantor records positive consolidated profit for two consecutive years) (a Reinstatement), coupons will be reduced or could be stopped. As a result, depending on the application of the Loss Absorption mechanism, coupons may fluctuate and such fluctuations could be material
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	If, following a loss absorption, the guarantor has recorded positive consolidated profit for at least two consecutive fiscal years following the end of the most recent fiscal year in which there was a loss absorption, Dexia may cause the issuer to increase, and the Issuer shall increase, the current principal amount of each security on any date and in an amount that they determine (either up to the original principal amount or up to any other amount lower than the original principal amount), subject to any necessary regulatory approval.
34a	Type of subordination (only for eligible liabilities)	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	The securities constitute unsecured subordinated obligations of the issuer and will rank behind (junior to) the claims of holders of issuer senior and subordinated Indebtedness; • pari passu with ther pari passu claims; and • before (senior to) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the securities and the claims of holders of issuer ordinary shares.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	No payments shall be made to any security holder unless and until all amounts due, but unpaid, to all other senior and subordinated creditors of the liquidated or bankrupt entity have been paid by the guarantor or the issuer, as the case may be, as ascertained by the liquidator or the trustee in bankruptcy.
36	Non-compliant transitioned features	No until 1 January 2022. Yes from this date
37	If yes, specify non-compliant features	Reclassification contrary to CRR Articles 52.1.d and 63.d (rank clauses).
37a	Link to the full term and conditions of the intrument (signposting)	N/A

(1) Insert 'N/A' if the question is not applicable

	Qualitative or quantitative information - Free format	
1	Issuer	Dexia Crédit Local
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FR0010251421
2a	Public or private placement	Private placement
3	Governing law(s) of the instrument	French law

	Qualitative or quantitative information - Free format	
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1
5	Post-transitional CRR rules	Ineligible from 1 January 2022
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Consolidated
7	Instrument type (types to be specified by each jurisdiction)	The notes are deeply subordinated notes issued pursuant to the provisions of Article L.228-97 of the French Code de commerce. The principal and interest on the notes (which constitute obligations under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank pari passu among themselves and with all other present and future parity securities (as defined below), but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, ordinarily subordinated obligations (and unsubordinated obligations). In the event of liquidation, the notes shall rank in priority to any payments to holders of equity securities.
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	EUR 56,250,000
9	Nominal amount of instrument	EUR 700,000,000
EU-9a	Issue price	100 per cent
EU-9b	Redemption price	The issuer may, at its option, redeem the notes in whole or in part at a price (the “base call price”) equal to the original principal amount of the notes, together with any amounts outstanding thereon, including accrued interest
10	Accounting classification	Minority interests
11	Original date of issuance	18 November 2005
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	On the first call date (18 November 2015) and on any interest payment date thereafter + redemption for regulatory reasons or taxation reasons
16	Subsequent call dates, if applicable	First call date on 18 November 2015 or upon any interest payment date thereafter
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Fixed to floating (see hereunder, row 18)
18	Coupon rate and any related index	4.300% per annum from, and including, 18 November 2005 (the “issue date”) to, but excluding, the first call date payable annually in arrears on a non-cumulative basis on 18 November of each year (each a fixed rate interest payment date), commencing on 18 November 2006 and thereafter at a floating rate equal to 3-month EURIBOR plus a margin equal to 1.730% per annum payable quarterly in arrears on a non-cumulative basis on 18 November, 18 February, 18 May and 18 August of each year.
19	Existence of a dividend stopper	N/A
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary except when terms of payment are mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary except when terms of payment are mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Non cumulative or cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	If capital increase is not approved by the extraordinary shareholders’ meeting or is not sufficient.
32	If write-down, full or partial	Fully or Partially: If a share capital increase or any such other proposed measure is not adopted by the Issuer’s extraordinary shareholders’ meeting or if the share capital increase is not sufficiently subscribed to remedy the capital deficiency event in full, or if the capital deficiency event remains in effect on the last day of the fiscal half-year during which the capital deficiency event has occurred, the Board of Directors of the Issuer will implement, within ten days following the last day of such fiscal half-year, a reduction of the amount of broken interest, if any, and thereafter the current principal amount of the notes.
33	If write-down, permanent or temporary	Temporary

	Qualitative or quantitative information - Free format	
34	If temporary write-down, description of write-up mechanism	The Board of Directors of the Issuer will implement, within ten days following the last day of such fiscal half-year, a reduction of the amount of broken interest, if any, and thereafter the current principal amount of the notes (a "loss absorption") necessary in order to remedy such event to the fullest extent possible. Notwithstanding anything to the contrary, the nominal value of the notes shall never be reduced to an amount lower than one cent (EUR 0.01). The amounts by which broken interest and, as the case may be, the current principal amount of the notes are reduced to enable the Issuer to absorb losses in order to ensure the continuity of its activities, will be the lower of (i) the amount of consolidated losses of the Issuer which, following a capital deficiency event, have not been allocated to its shareholders' funds (capitaux propres) as set out in its consolidated financial statements and (ii) the sum of the amounts of broken interest, if any, and the current principal amount of the notes before such reduction.
34a	Type of subordination (only for eligible liabilities)	Contractual
EU-34b	Ranking of the instrument in normal insolvency proceedings	The principal and interest on the notes (which constitute obligations under French law) constitute direct, unconditional, unsecured, undated and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank pari passu among themselves and with all other present and future parity securities, but shall be subordinated to the present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, ordinarily subordinated obligations and unsubordinated obligations. In the event of liquidation, the notes shall rank in priority to any payments to holders of equity securities.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In the event of any insolvency or liquidation of the Issuer, the noteholders would receive payments on any outstanding equal ranking subordinated notes only after holders of notes ranking senior to the noteholders and other senior creditors have been repaid in full, if and to the extent that there is still cash available for those payments. Thus, the noteholders face a higher performance risk than holders of unsubordinated obligations or of ordinarily subordinated obligations.
36	Non-compliant transitioned features	No until 1 January 2022. Yes from this date
37	If yes, specify non-compliant features	Reclassification contrary to CRR Articles 52.1.d and 63.d (rank clauses)
37a	Link to the full term and conditions of the intrument (signposting)	N/A

(1) Insert 'N/A' if the question is not applicable

On 28 December 2012, the European Commission (EC) communicated its approval of the revised Dexia orderly resolution plan submitted by the Belgian, French and Luxembourg States on 14 December 2012.

As part of the revised Dexia orderly resolution plan, the Belgian, French and Luxembourg States have undertaken to grant a definitive joint and several funding guarantee in favour of Dexia Crédit Local (DCL).

The Commission's approval was subject to compliance with the commitments and conditions set out in the decision. As part of the commitments and conditions set out in the decision, Dexia and Dexia Credit Local are liable to observe Behavioural undertakings. Those include the Commitment #117 of the Commission Decison of 28 December 2012 on State aid; which states:

"Without prejudice to the operations that Dexia is legally bound to carry out, or operations that it is bound to carry out pursuant to contracts concluded prior to the date of the Decision, in respect of Tier 1 or Tier 2 hybrid instruments, Dexia will not:
(a) pay coupons on Tier 1 hybrid instruments or Tier 2 instruments held by persons or entities other than Dexia SA and its Subsidiaries, whose payment is discretionary under the contractual terms relating to those instruments;
(b) approve or vote in favor of the payment of any form of dividend by any Subsidiary exclusively controlled directly or indirectly by Dexia SA (including entities in which it has a 100 % holding), where such a payment would entail mandatory payment of a coupon on Tier 1 hybrid instruments or Tier 2 instruments held by persons other than Dexia SA and its Subsidiaries; or
(c) exercise a discretionary early repayment option on the Tier 1 hybrid instruments or Tier 2 instruments mentioned in point (a) above.

However, on 24 January 2014, Dexia was informed that the EC refused to authorize the Group's proposal to repurchase the hybrid capital debt issued by Dexia Funding Luxembourg (XS0273230572), noting that the subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions that have been granted State aid. The EC has also informed Dexia that it is authorized to communicate this information to the holders of this instrument and to the holders of financial instruments with identical characteristics. Financial instrument FR0010251421 issued by DCL has similar characteristics. The EC requested that Dexia communicates that this decision relates to its own situation and does not mean that similar decisions will be taken in respect of such financial instruments issued by other European banks subject to orderly resolution plans under the supervision of the EC.

Following the approval by the EC of the extension and amendment of the Dexia funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States ratified the legal texts relating to this extension on 29 December 2020 and 27 May 2021 respectively. The documentation was executed on 6 December 2021 and retains most of the current features of the guarantee executed in 2013. However, as part of the changes made to the scheme, the States decided to increase the fees payable by Dexia in respect of the guarantee by the implementation of a conditional deferred fee (CDF), which will be payable upon the Group's liquidation and provided that DCL no longer holds a banking license. The tariff structure for this fee will be progressive from 2022, and reach an annual rate of 135 basis points on outstanding in 2027.

It should be noted that the CDC ranks below the rights of preferential unsecured or subordinated creditors at a "Tier 2" or higher level of DCL. However, it takes precedence over hybrid "Tier 1" securities of DCL (ie. ISIN FR0010251421) and Dexia SA/NV (ISIN XS0273230572). The deferred part of the fee which DCL will have to pay to the Belgian and French States on its liquidation, as remuneration for the guarantee, will be at a level such that it should absorb the net liquidation proceeds of DCL. Consequently, neither the holders of hybrid subordinated "Tier 1" debt of DCL (ISIN FR0010251421) and Dexia SA/NV (ISIN XS0273230572) nor the States, as holders of profit shares issued by Dexia SA/NV, nor the shareholders of Dexia SA/NV (States and other shareholders) are expected to receive any proceeds whatsoever following the liquidation of Dexia, such proceeds being paid to the Belgian and French States as a conditional deferred fee.

4.4. EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

(in EUR million)	Carrying values as reported in published financial statements (Carrying values under scope of regulatory consolidation)	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements	**98,650**	**67,870**	**30,375**	**923**	**7,314**	**7**
I. Cash and central banks	9,753	9,753				
II. Financial assets at fair value through profit or loss	9,280	2,008	7,281	2	7,279	
III. Hedging derivatives	662		662		35	
IV. Financial assets at fair value through OCI	1,902	1,902				
V. Financial assets at amortised cost - Debt securities	34,767	33,877		921		
VI. Financial assets at amortised cost - Interbank loans and advances	17,308	1,144	16,594			
VII. Financial assets at amortised cost - Customer loans and advances	24,506	18,711	5,838			
VIII. Fair value revaluation of portfolio hedge	298	298				
IX. Current tax assets	28	28				
XI. Accruals and other assets	116	126				
XV. Tangible fixed assets	23	23				
XVI. Intangible assets	7					7
Breakdown by liability classes according to the balance sheet in the published financial statements	**98,650**	**10**	**31,676**	**76**	**9,088**	**59,585**
II. Financial liabilities at fair value through profit or loss	10,116		9,304		8,891	
III. Hedging derivatives	16,714		16,714		197	
IV. Interbank borrowings and deposits	6,451		5,541	76		910
V. Customer borrowings and deposits	8,819		117			8,702
VI. Debt securities	49,406					49,406
VII. Fair value revaluation of portfolio hedge	1					1
VIII. Current tax liabilities	1					1
IX. Deferred tax liabilities	85					85
X. Accruals and other liabilities	261					261
XII. Provisions	209	10				199
XIII. Subordinated debt	20					20
TOTAL LIABILITIES	**92,083**					
EQUITY	**6,567**					

4.5. EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

(in EUR million)	Total	Items subject to			
		Credit risk framework	**Securitisation framework**	**CCR framework**	**Market risk framework**
Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	98,643	67,870	923	30,375	7,314
Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	39,065	10	76	31,676	9,088
TOTAL NET AMOUNT UNDER THE REGULATORY SCOPE OF CONSOLIDATION	**59,578**	**67,860**	**847**	**(1,301)**	**(1,774)**
Off-balance-sheet amounts	**910**	**575**	**335**		
Differences in valuations	(173)				
Differences due to different netting rules, other than those already included in row 2	-				
Differences due to consideration of provisions	164	164			
Differences due to the use of credit risk mitigation techniques (CRMs)	(8,373)	(30)	(76)	(8,267)	
Differences due to credit conversion factors	(149)	(149)			
Differences due to Securitisation with risk transfer					
Other differences	21,859			13,794	
Exposure amounts considered for regulatory purposes	**73,816**	**68,420**	**1,106**	**4,226**	

4.6. EU PV1 - Prudent valuation adjustments (PVA)

(in EUR million)	Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
Category level AVA	**Equity**	**Interest rates**	**Foreign exchange**	**Credit**	**Commodities**	**Unearned credit spreads AVA**	**Investment and funding costs AVA**		***Of which:* Total core approach in the trading book**	***Of which:* Total core approach in the banking book**
Market price uncertainty	-	34	-	101	-	10	3	74	1	73
Close-out cost	-	64	-	42	-	-	-	53	-	53
Concentrated positions	-	18	-	6	-	-	-	24	-	24
Early termination	-	-	-	-	-	-	-	-	-	-
Model risk	-	4	-	-	-	14	-	9	-	9
Operational risk	-	6	-	7	-	-	-	13	0	13
Future administrative costs	-	-	-	-	-	-	-	-	-	-
TOTAL ADDITIONAL VALUATION ADJUSTMENTS (AVAS)								**173**	**1**	**172**

Total Prudent Valuation amounted to EUR 173 million as at 31 December 2021. Excluding the effect of the 50% diversification (vs 64% in 2020), it increased by EUR +11 million over the year, mainly impacted by scope changes and market effects.

4.7. EU LIB - Other qualitative information on the scope of application

Legal basis	Row number	Qualitative information - Free format	
Article 436(f) CRR	(a)	Impediment to the prompt transfer of own funds or to the repayment of liabilities within the group	cf Note 1.2.e to the consolidated financial statements in Dexia's annual report
Article 436(g) CRR	(b)	Subsidiaries not included in the consolidation with own funds less than required	cf Note 1.2. to the consolidated financial statements in Dexia's annual report
Article 436(h) CRR	(c)	Use of derogation referred to in Article 7 CRR or individual consolidation method laid down in Article 9 CRR	Dexia Crédit Local: waived according to article 7 of CRR

4.8. Countercyclical capital buffers

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

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	"Own fund requirements weights (%)"	Countercyclical buffer rate (%)
(in EUR million)	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	Exposure value for non-trading book		Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
United Kingdom	7,119	-	-	-	28	7,147	399	-	28	427	5,334	49.18%	0%
France	2,764	-	-	-	-	2,764	171	-	-	171	2,134	19.68%	0%
United States	1,316	-	-	-	-	1,316	40	-	-	40	505	4.66%	0%
Spain	948	-	-	-	22	970	65	-	1	65	818	7.55%	0%
Australia	865	-	-	-	-	865	33	-	-	33	415	3.83%	0%
Italy	734	-	-	-	0	734	37	-	0	37	460	4.24%	0%
Canada	296	-	-	-	-	296	20	-	-	20	250	2.30%	0%
Japan	281	-	-	-	-	281	5	-	-	5	56	0.52%	0%
Cayman Islands	153	-	-	-	-	153	6	-	-	6	77	0.71%	0%
Germany	128	-	-	-	-	128	6	-	-	6	77	0.71%	0%
Portugal	35	-	-	-	-	35	4	-	-	4	45	0.42%	0%
Qatar	30	-	-	-	-	30	2	-	-	2	24	0.22%	0%
Mexico	28	-	-	-	-	28	2	-	-	2	28	0.26%	0%
Sweden	19	-	-	-	-	19	2	-	-	2	19	0.17%	0%
Belgium	17	-	-	-	-	17	1	-	-	1	17	0.15%	0%
Egypt	7	-	-	-	-	7	1	-	-	1	8	0.07%	0%
Croatia	7	-	-	-	-	7	1	-	-	1	10	0.09%	0%
Austria	7	-	-	-	-	7	0	-	-	0	1	0.01%	0%
Curaçao	5	-	-	-	-	5	0	-	-	0	5	0.04%	0%
Bulgaria	4	-	-	-	-	4	0	-	-	0	4	0.03%	0.50%
Slovenia	2	-	-	-	-	2	0	-	-	0	2	0.02%	0%
Romania	1	-	-	-	-	1	0	-	-	0	1	0.01%	0%
United Arab Emirates	1	-	-	-	-	1	0	-	-	0	1	0.01%	0%
Other Countries	402	-	-	-	1,130	1,532	8	-	36	45	557	5.12%	0%
TOTAL	**15,168**	**0**	**0**	**0**	**1,180**	**16,348**	**803**	**0**	**65**	**868**	**10,847**	**100%**	

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

(in EUR million)		RWA amounts
1	Total risk exposure amount	20,580
2	Institution specific countercyclical capital buffer rate	0.0002%
3	Institution specific countercyclical capital buffer requirement	0.03

5. Capital adequacy

5.1. Internal capital adequacy (EU OVC - ICAAP information)

From 2012 Dexia began to reshape the internal capital adequacy assessment process, taking account of its specific situation as a bank in orderly resolution and in line with regulatory requirements. The ICAAP process considers both the regulatory requirements and the economic outlook of the capital requirement. Within the framework of the Single Supervisory Mechanism (SSM), this approach is the Group's response to the requirements of the European Central Bank (ECB) in relation to the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Supervisory Review and Evaluation Process (SREP).

This approach consists of establishing an exhaustive map of the qualitative and quantitative risks which might simultaneously affect the Group's accounting and prudential situation as well as its liquidity. The risk map considers all material risk identified in the risk taxonomy that categorises the different risks and risk factors which Dexia is or might be exposed to. Such risk mapping aims primarily to measure the sensitivities and exposure to different risk factors impacting the bank. Secondly, the simultaneous impact of various unfavorable future risk scenarios is measured, particularly in terms of the evolution of the principal accounting and prudential indicators as well as an economic view. In this regard, and within the same framework, multiple transversal stress tests are performed. Possible departures from the baseline financial and strategic plans are thus identified, measured and analysed. These unfavorable scenarios simultaneously include scenarios of macroeconomic stress, scenarios which are simulated mathematically and reverse stress tests. In accordance with the requirements of Pillar 2 and in line with best market practices, the conclusions from these processes are regularly submitted for the approval of the Group's decision-making bodies (Management Board, Risk Committee and Board of Directors).

The ICAAP approach builds upon key strengths of regular economic capital approaches, stress testing techniques and risk appetite framework. It aims at being fully integrated into the financial planning process, thus demonstrating the capital and liquidity adequacy as required by regulation.

In practical terms, the ICAAP process consists of 3 main steps:

- **An Integrated Risk Map (IRM):** this IRM is Dexia's comprehensive risk taxonomy and cartography inter alia allowing assessments to measure the sensitivities of the financial, prudential and economic statements to each major identified risk factor (default, rating migration, market spread indices, foreign exchange rates, interest rates, …). It covers all qualitative and quantitative risks affecting Dexia beyond the risks of Pillar 1. For example, the IRM data provides the sensitivity to a decrease of interest rates simultaneously on liquidity reserve, CVA, cash collateral, hedge accounting, risk-weighted assets, etc. and ultimately on available capital, capital ratios and funding sources. This risk map establishes a transparent link between a comprehensive and economic approach to risks and their impact on accounting and prudential measures.
- **Risk evaluation:** consistent evaluation of risk scenarios and assessment of their impact. These risk scenarios are evaluated for each of the main building blocks in dedicated tools (credit, market and funding, operational and budget risk). Multiple risk scenarios (expert, historical, market forwards and Monte Carlo) are aggregated in a single format for comparison and benchmarking purposes. Their impact in terms of capital and liquidity requirements is assessed and benchmarked towards base case scenarios. The adequacy between available financial and funding resources and the risks facing the bank for a variety of risk scenarios at different severity levels is assessed from both a regulatory and an economic capital perspective.
- **Reporting:** an integrated cascade of reporting is devised ranging from the most synthetic reports submitted to the decision-making bodies, to more detailed reporting for intermediate Finance and Risk committees. These reports are designed to meet regulatory requirements in terms of ICAAP and ILAAP (Internal Capital/Liquidity Adequacy Assessment Process) and above all to provide insights into key risks and drivers of the volatilities of key accounting and prudential indicators. These reports will ultimately be used by the departments in charge of optimising Dexia's run-off.

The key focus of the ICAAP scenarios are established over a horizon of three years with an annual step.

The conclusions of the internal capital adequacy approach in terms of capital adequacy measures and capacities to absorb losses were formally submitted to the Group's management bodies on a quarterly basis in 2021. A key focus of the quarterly updates remained the increased macroeconomic uncertainty in the context of the Covid pandemic that inter alia consider the severe economic scenarios published by the European Central Bank and the adverse scenario of the European Banking Authority. The key solvency risks are also monitored quarterly within the risk appetite framework.

5.2. Stress tests

The objective of the stress test framework is to ensure that the Dexia Group's financial position provides sufficient resilience to withstand the impact of severe economic and financial stress.

In line with the directives of the EBA published in July 2018 – Guidelines on the revised common procedures and methodologies for the Supervisory review and evaluation process (SREP) and Supervisory stress testing and Guidelines on institutions' stress testing – and the requirements formulated by the European Central Bank in November 2018 – ECB Guide to the internal capital adequacy assessment process (ICAAP) and ECB Guide to the internal liquidity adequacy assessment process (ILAAP) – for application as from 1 January 2019, Dexia performs multiple scenario analysis exercises and stress tests in a transversal and integrated approach to the Group's risk management process. This is a complete programme of stress tests in observance of the EBA guidelines which guarantees consistent articulation between the different types and granularities of stress.

Globally and transversally, these stress tests consist of sensitivity analyses, scenario impact analyses at multiple levels of severity and reverse stress tests. They exhaustively cover all the bank's risks, particularly and principally credit and counterparty risk, market and foreign exchange risk, liquidity risk, interest rate risk specific to banking portfolios (excluding the trading portfolio), operational risk including legal risk and concentration risk.

In addition to the stress tests applied within the framework of the ICAAP/ILAAP described below, Dexia also applies other stress tests:
- Credit stress tests: on the level of the global portfolio, the different types of stress tests are maintained: sensitivity tests, macroeconomic stress tests, historical stress tests, climate stress tests and expert scenarios.
- Market stress tests (highlighting potential events outside the probability of VaR measurement techniques). They have been divided into tests of unique risk factors, tests of historic scenarios, tests of hypothetical scenarios and reverse stress tests.
- Stress tests associated with the structural interest rate risk enabling the potential impact on Dexia equity of a sudden and unexpected fluctuation of interest rates, to be measured, responding to regulatory expectations.
- Liquidity stress tests enabling additional liquidity requirements to be estimated in exceptional but plausible scenarios at different time horizons up to two years. Their aim is to identify possible vulnerabilities and simultaneously in an adverse shock situation to assess the possible increase of risk-weighted assets, additional liquidity requirements or capital requirements.
- Operational risk stress tests based on analysis of the frequency and severity of operational incidents, completed by scenario analyses.
- A series of internal transversal stress tests, complementary to and consistent with those of the ICAAP and ILAAP processes, relying on macroeconomic scenarios simulating crisis situations for Dexia for the purpose of internal analyses of capital adequacy and the risks of deviations from the strategic plan. They were approved internally and forwarded to the supervisory authorities on various occasions in 2021, in addition to the formal documentation of the ICAAP and ILAAP processes. Crisis simulations for the purposes of ICAAP and ILAAP, described in detail in the following sections, are the object of internal validation and verification by the validation department and the internal audit. In accordance with regulatory requirements, the complete annual exercise for 2021 was forwarded to the supervisory authorities.

5.2.1. Stress tests related to credit risk

The macroeconomic stresses are evaluated by means of quantitative point-in-time models per credit sector. These models are developed for the purpose of stress testing, financial planning and IFRS 9 multi-scenario expected credit loss calculations, to link the evolution of the credit risk parameters (migration rates, default rates, loss rates) to the change of the main macro-economic variables (GDP evolution rate, unemployment rate, interest rate, etc.). The macroeconomic stresses are either (i) dedicated stress scenarios, e.g., the EBA stress test adverse scenario or the ECB severe macroeconomic scenario published in the context of the pandemic; or (ii) historical macroeconomic scenarios observed during downturns.

Synthetic stress tests are applied by means of a latent factor credit value-at-risk approach. The data generating process is a CreditMetrics latent factor model for both regions and sectors. The correlated latent factor shocks as well as idiosyncratic shocks impact default, migration and loss rates.

The quantitative modelling is complemented by an expert approach to take into account the actual vulnerabilities of each credit sector, especially in the context of the pandemic. These expert scenarios are designed and discussed during the credit workshops with credit risk experts involved in the different asset classes. A specific focus has been applied to the sectors and/or counterparties impacted by the pandemic or macroeconomic stress scenario. In 2021, climate risk was assessed by considering expert stress scenarios that differentiate on the sensitivity of the asset to transition and physical risk.

Sensitivity stress tests consider simple increases of default or loss rates, or rating downgrades. The outcomes of the macroeconomic, synthetic and expert stress scenarios are benchmarked across each other. These stress tests are applied for the ICAAP, strategic and managerial stress tests.

5.2.2. Integrated Pillar 2 stress tests

Following the EBA Pillar 2 guidelines, Dexia includes in its ICAAP a comprehensive stress testing framework, clearly distinct and independent from the ICAAP economic capital risk measurement, providing a challenging perspective to the latter, including of its underlying assumptions.

More specifically, for regulatory stresses of the ICAAP and ILAAP type, as defined in the EBA guidelines and in association with reviews of financial plans over multiple horizons, Dexia performed a complete review of its vulnerabilities to cover all material risks associated with its business model under stressed macroeconomic and financial conditions in addition to reverse stress tests.

In accordance with regulatory requirements, the documentation for the ICAAP 2021 annual exercise was forwarded to the ECB.

The ICAAP stress tests form an integral part of the Group’s reporting system, and its Risk Appetite Framework (RAF) and are incorporated in the definition and review of global strategy. They systematically complete the financial planning process. The link between risk tolerance, adaptations to the strategic plan for resolution and the ICAAP and ILAAP stress tests is also guaranteed by specific consumption and capital adequacy indicators forming part of the RAF.

5.2.3. Internal transversal stress tests

A series of internal transversal stress tests, complementary to and consistent with those of the ICAAP and ILAAP processes, relying on macroeconomic scenarios simulating crisis situations for Dexia for the purpose of internal analyses of capital adequacy and the risks of deviations from the strategic plan. They were approved internally and forwarded to the supervisory authorities on various occasions in 2021, in addition to the formal documentation of the ICAAP and ILAAP processes.

6. 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 total exposures which include the consolidated assets and certain off-balance-sheet exposures. Derivatives and repurchase agreements are also taken into account.

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 31 December 2021, the Dexia Group ratio calculated according to the CRR/CRD IV rules as amended by the Delegated Act of October 2014 reached 8.53% (using a transitional definition of Tier 1 Capital), compared to 8.25% as at 31 December 2020. This slight increase of +0.2 percentage point is explained by the decrease of the total leverage exposure by EUR -7 billion while the Tier 1 capital reduced less.

In order to manage the risk of excessive leverage, the leverage ratio is projected at both Group and entity levels on a 10-year horizon. Regarding the numerator of the ratio (Tier 1 Capital), the forecasts are based on the bi-annual long-term financial projections under assumptions related to the macroeconomic, regulatory and accounting environment.

The projections are aligned with the risk appetite statement. They are updated on a regular basis taking into account any known event impacting the ratio, notably the evolution of market parameters which have an impact on solvency using sensitivity factors. For the denominator, exposure forecasts are also based on the last available closing data and on the bi-annual financial projections exercise.

This follow-up is included in the quarterly “Capital Management” report which is presented to the ALCO on a quarterly basis for validation. In the event of an expected breach, the action levers which could ensure compliance with the ratio and any necessary management actions are discussed and validated within the ALCO.

Based on our current forecasts, no breach is expected in the leverage ratio before 2030.

The leverage ratio is also considered in the ICAAP policy. It needs to remain above the CRR2 requirement in all scenarios performed for the ICAAP. In both base and stress case, the leverage ratio is obtained from the projection of the Tier 1 capital and the total leverage exposure.

The Tier 1 Capital is mainly subject to the variation of the excess limit on large exposures, the evolution of the cost of risk, the evolution of the FVOCI reserve and more generally to the evolution of the net result of the year.

The total leverage ratio exposure is mainly subject to the evolution of market parameters (interest rates, inflation, foreign exchange rates, credit spreads), notably through the evolution of the cash collateral.

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

(in EUR million)		31/12/2021
1	Total assets as per published financial statements	98,650
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)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
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)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	(3,738)
9	Adjustment for securities financing transactions (SFTs)	846
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	417
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments (more details in the table EU LR2)	(20,944)
13	**TOTAL EXPOSURE MEASURE**	**75,232**

6.2. EU LR2 - LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
(in EUR million)		31/12/2021	30/06/2021
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	90,708	93,623
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	1,225	3,139
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(21,988)	(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)	(181)	(197)
7	**TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)**	**69,764**	**74,002**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivative transactions (ie net of eligible cash variation margin)	2,659	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 derivative transactions	1,536	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 Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	770	767
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(760)	(756)
13	**TOTAL DERIVATIVE EXPOSURES**	**4,205**	**5,715**

(in EUR million)		CRR leverage ratio exposures 31/12/2021	30/06/2021
	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)	23	34
16	Counterparty credit risk exposure for SFT assets	823	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**	**846**	**1,279**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	575	1,279
20	(Adjustments for conversion to credit equivalent amounts)	(158)	(209)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	-	-
22	**OFF-BALANCE SHEET EXPOSURES**	**417**	**1,069**
	Excluded exposures		
EU-22k	**(TOTAL EXEMPTED EXPOSURES)**	**0**	**0**
	Capital and total exposure measure		
23	Tier 1 capital	6,420	6,597
24	**TOTAL EXPOSURE MEASURE**	**75,232**	**82,066**
	Leverage ratio		
25	Leverage ratio	8.53%	8.04%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.53%	8.04%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.53%	8.04%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%
EU-26b	*of which: to be made up of CET1 capital (percentage points)*	*0%*	*0%*
27	Leverage ratio buffer requirement (%)	0%	0%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	0	0
	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 receivables	269	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	23	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)	75,479	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)	75,479	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)	8.51%	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)	8.51%	8.02%

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

		CRR leverage ratio exposures
(in EUR million)		**31/12/2021**
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), *of which*:**	69,556
EU-2	Trading book exposures	0
EU-3	Banking book exposures, of which:	69,556
EU-4	Covered bonds	268
EU-5	Exposures treated as sovereigns	30,006
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	21,986
EU-7	Institutions	1,989
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporates	13,171
EU-11	Exposures in default	451
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,685

7. Credit risk

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

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. The rest of the transactions (restructuring, additional credit limits beyond the framework) have to be approved by the Transaction Committee. The limits are reviewed at least on a yearly basis and presented to the Risk Executive Committee.

7.1. 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 III 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 backtested 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.

7.2. Concepts and implementation within Dexia

7.2.1. 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 interests at due date, the entire loan exposure is considered as past due.

7.2.2. Principles of default

The concept of default includes counterparties which are unlikely to pay or which have past due on material obligation. Since 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 adjustments,
  - A distressed restructuring: when a restructuring of at least one of the position 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, a 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 the 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 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. Due to the nature of the transfers (public administrative acts subject to creation or competence transfer decrees) and 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.

7.2.3. 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).

7.2.4. 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 on 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 litigations in The Netherlands;

2. Restructuring related to litigations, 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 litigations.

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.

7.2.5. Impairments

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 above.

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[1]. 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

(1) 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 macro-economic variables and risk parameters and are built statistically by finding historical relations between them. The most relevant macro-economic 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 (i.e. the gross carrying amount after deduction of 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 the income statement 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 the income statement is the cumulative changes in lifetime expected credit losses since initial recognition. The amount of favourable change in lifetime expected credit losses is recognised in the income statement as an impairment gain.

Overview of impairments

(in EUR million)	31/12/2020	31/12/2021
Impaired assets (1)	556	577
Specific provisions (2)	134	164
o/w Stage 3	*125*	*157*
o/w POCI	*9*	*6*
Coverage ratio (3)	24.1%	28.5%
Collective provisions	320	164
o/w Stage 1	*21*	*9*
o/w Stage 2	*299*	*155*

(1) Outstanding: calculated on the impairable IFRS 9 scope (fair value through profit or loss + amortised cost + off-balance-sheet).
(2) Provisions: in line with the portion of the portfolio taken into account for calculation of the outstanding including impairments related to Purchased or Originated Credit Impaired (POCI).
(3) Ratio between specific provisions and impaired assets.

7.3. Credit risk exposure

As at 31 December 2021, Dexia's credit risk exposure, expressed in Exposure at Default (EAD), amounted to EUR 73.8 billion. Exposures remain mainly concentrated on the local public sector, sovereigns and credit institutions given Dexia's historical activity. They are mainly concentrated in the European Union, the United States and Japan.

Expressed in gross carrying amount (cf table EU CR1), the credit risk exposure amounted to EUR 91.6 billion as at 31 December 2021. The non-performing gross carrying amount accounted for only 0.7% of this total amount.

The average coverage is the following:
- Performing exposure
  - In stage 1: 85%
  - In Stage 2: 12.9%
- Non-performing exposure
  - In Stage 3: 0.6%

7.3.1. EU CR1 - Performing and non-performing exposures and related provisions

(in EUR million)		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**	10,768	10,768	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	**43,840**	**35,820**	**6,244**	**458**	**-**	**367**	**(105)**	**(1)**	**(104)**	**(97)**	**-**	**(88)**	**-**	**3,427**	**84**
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	16,150	11,416	3,888	57	-	37	(43)	(0)	(42)	(16)	-	(10)	-	178	-
040	Credit institutions	16,121	16,051	70	-	-	-	(0)	(0)	(0)	-	-	-	-	3	-
050	Other financial corporations	5,949	5,885	4	8	-	8	(0)	(0)	-	(2)	-	(2)	-	60	6
060	Non-financial corporations	5,619	2,468	2,281	393	-	322	(62)	(0)	(62)	(79)	-	(76)	-	3,186	78
070	*Of which: SMEs*	*17*	-	*5*	-	-	-	*(0)*	-	*(0)*	-	-	-	-	-	-
080	Households	-	-	-	1	-	1	-	-	-	(1)	-	(1)	-	-	-
090	**Debt Securities**	**35,314**	**29,749**	**5,364**	**139**	**-**	**137**	**(57)**	**(9)**	**(48)**	**(59)**	**-**	**(59)**	**-**	**1,346**	**25**
100	Central banks	-	-	-	107	-	107	-	-	-	(56)	-	(56)	-	-	-
110	General governments	23,621	20,430	3,189	-	-	-	(16)	(5)	(11)	-	-	-	-	-	-
120	Credit institutions	1,076	1,056	-	-	-	-	(0)	(0)	-	-	-	-	-	-	-
130	Other financial corporations	631	186	445	-	-	-	(0)	-	(0)	-	-	-	-	-	-
140	Non-financial corporations	9,986	8,077	1,731	32	-	30	(40)	(3)	(37)	(2)	-	(2)	-	1,346	25
150	**Off-balance sheet exposures**	**1,072**	**981**	**91**	**23**	**-**	**23**	**2**	**0**	**2**	**8**	**-**	**8**	**-**	**-**	**-**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	153	137	16	-	-	-	0	-	0	-	-	-	-	-	-
180	Credit institutions	258	233	25	1	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	309	305	4	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	307	261	46	23	-	23	2	0	2	8	-	8	-	-	-
210	Households	45	45	-	-	-	-	-	-	-	-	-	-	-	-	-
220	**TOTAL**	**90,993**	**77,318**	**11,698**	**620**	**-**	**527**	**(160)**	**(9)**	**(151)**	**(147)**	**-**	**(139)**	**-**	**4,772**	**109**

7.3.2. EU CQ3 - Credit quality of performing and non-performing exposures by past due days

(in EUR million)		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**10,768**	**10,768**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
010	**Loans and advances**	**43,840**	**43,784**	**56**	**458**	**436**	**0**	**0**	**0**	**18**	**0**	**3**	**458**
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	16,150	16,112	39	57	35	0	0	0	18	0	3	57
040	Credit institutions	16,121	16,121	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	5,949	5,949	0	8	8	0	0	0	0	0	0	8
060	Non-financial corporations	5,619	5,602	17	393	393	0	0	0	0	0	0	393
070	*Of which SMEs*	*17*	*17*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
080	Households	0	0	0	1	1	0	0	0	0	0	0	1
090	**Debt Securities**	**35,314**	**35,314**	**0**	**139**	**139**	**0**	**0**	**0**	**0**	**0**	**0**	**139**
100	Central banks	0	0	0	107	107	0	0	0	0	0	0	107
110	General governments	23,621	23,621	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	1,076	1,076	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	631	631	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	9,986	9,986	0	32	32	0	0	0	0	0	0	32
150	**Off-balance sheet exposures**	**1,072**	**0**	**0**	**23**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23**
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
170	General governments	153	0	0	0	0	0	0	0	0	0	0	0
180	Credit institutions	258	0	0	1	0	0	0	0	0	0	0	1
190	Other financial corporations	309	0	0	0	0	0	0	0	0	0	0	0
200	Non-financial corporations	307	0	0	23	0	0	0	0	0	0	0	23
210	Households	45	0	0	0	0	0	0	0	0	0	0	0
220	**TOTAL**	**90,993**	**89,866**	**56**	**620**	**576**	**0**	**0**	**0**	**18**	**0**	**3**	**620**

7.3.3. 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	211	1	1	211	(9)	-
040	Electricity, gas, steam and air conditioning supply	185	65	65	167	(27)	-
050	Water supply	132	11	11	128	(1)	-
060	Construction	810	-	-	624	(5)	-
070	Wholesale and retail trade	2	-	-	1	-	-
080	Transport and storage	386	81	81	301	(8)	(1)
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	2	-	-	2	-	-
110	Real estate activities	1,399	50	50	1,052	(18)	(2)
120	Financial and insurance actvities	446	61	61	429	(18)	-
130	Professional, scientific and technical activities	543	-	-	541	(19)	-
140	Administrative and support service activities	1,004	-	-	831	(0)	-
150	Public administration and defense, compulsory social security	174	39	39	172	(13)	-
160	Education	3	-	-	3	(0)	-
170	Human health services and social work activities	576	61	61	472	(18)	-
180	Arts, entertainment and recreation	43	-	-	43	-	-
190	Other services	97	24	24	92	(1)	-
200	**TOTAL**	**6,012**	**393**	**393**	**5,071**	**(138)**	**(3)**

7.3.4. 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**	79,309	597	597	77,309	(315)	-	(3)
020	United Kingdom	30,345	5	5	30,127	(20)	-	-
030	Italy	16,076	43	43	15,931	(46)	-	-
040	France	7,709	148	148	6,834	(70)	-	(2)
050	United States	6,136	2	2	6,067	(28)	-	-
060	Spain	4,229	205	205	3,763	(48)	-	(1)
070	Belgium	3,610	-	-	3,610	-	-	-
080	Portugal	3,381	25	25	3,314	(10)	-	-
090	Japan	3,160	-	-	3,160	(0)	-	-
100	Germany	2,060	-	-	2,016	-	-	-
110	Australia	1,262	-	-	1,262	(0)	-	-
120	Poland	601	-	-	601	-	-	-
130	Canada	270	-	-	209	(9)	-	-
190	Other Countries	471	169	169	415	(84)	-	-
370	**Off balance sheet exposures**	1,095	23	23	-	-	10	-
380	France	514	-	-	-	-	0	-
390	United States	303	-	-	-	-	-	-
400	United Kingdom	143	-	-	-	-	0	-
	Other Countries	135	23	23	-	-	10	-
	TOTAL	**80,404**	**620**	**620**	**77,309**	**(315)**	**10**	**-**

**This table takes loans and advances and debt securities into account 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 where Dexia has a significant exposure but only one default. Dexia's UK portfolio is composed of exposures to banks, accommodation PPPs, social housing entities and local authorities.

7.3.5. EU CR1-A - Maturity of exposures

A large part of the balance sheet consists of the revaluation of assets, liabilities and derivatives. As such revaluations vary constantly and cannot therefore be linked to the maturity of the financial instruments, they are presented under a separate column.

Demand and saving deposits are included in the "On demand" column, even though they have no fixed repayment date.

(in EUR million)	Gross exposure value						Accrued interest	Fair value adjustment	Impairment	Net exposure value
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total Gross exposure value				
Loans and advances (1)	690	792	2,389	13,090	21,941	38,902	78	5,314	(199)	44,095
Debt securities	1	434	1,425	24,573	-	26,433	262	8,758	(116)	35,337
TOTAL	**691**	**1,226**	**3,814**	**37,663**	**21,941**	**65,336**	**340**	**14,073**	**(315)**	**79,433**

(1) Cash collateral paid is reported in undetermined maturity because the amount may vary depending on the underlying index, mainly interest rates. Thus, if interest rates rise above the initial fixed rate, for a fixed-rate payer derivative, the cash collateral paid becomes cash collateral received and is then reported as debt. The ultimate maturity is the maturity date of the derivative.

7.3.6. EU CQ1 - Credit quality of forborne exposures

	(in EUR million)	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
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
010	**Loans and advances**	115	236	236	153	(1)	(60)	66	27
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	51	33	33	30	(0)	(13)	33	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	5	5	5	-	(1)	4	4
060	Non-financial corporations	64	199	199	118	(1)	(46)	30	23
070	Households	-	-	-	-	-	-	-	-
080	**Debt Securities**	7	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	**TOTAL**	**123**	**236**	**236**	**153**	**(1)**	**(60)**	**66**	**27**

Exposure in forborne is limited to EUR 359 million as at 31 december 2021, i.e. 0.4% of the overall gross carrying amount of Dexia's portfolio. From this this forborne exposure, 66% is non performing. The average coverage of the non-performing, defaulted forborne exposure is 43%.

7.3.7. EU CQ7 - Collateral obtained by taking possession and execution processes

Dexia did not operate any repossession.

7.4. AIRB approach

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 the calculation of its credit risk-weighted assets.

7.5. Standard approach

The average risk weight of Dexia's exposure portfolio is 22.6% (cf. table below for details on the exposures classes breakdown by risk weight bucket).

The largest part of Dexia's portfolio benefit from a 0% or 20% risk weight (i.e. 69% of the exposures) reflecting Dexia's exposure on the European sovereign (0% risk weight) and the European local authorities (0% or 20% risk weight).

7.5.1. EU CRD – Qualitative disclosure requirements related to standardised model

As already mentioned, Dexia has applied, since March 2020, the standard approach on credit risk for the calculation of its risk-weighted assets. To calculate the minimum regulatory capital requirement, the risk weight is determined by the CRR2 rules for the different asset classes. For some asset classes, the risk weight is defined directly by the CRR2 rules. For other assets classes, the CRR2 rules define that the risk weight depends on the credit quality step that depends on the external rating.

In general, Dexia considers the ratings of the Moody's, Fitch and Standard & Poor's for all its portfolios, unless for too limited portfolios. For the specialized sectors of monoline insurance and financial guarantors, the ratings of Kroll and AM Best are also considered.

7.5.2. 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	26,252	59	26,480	59	130	0.49%
2	Regional governments or local authorities	19,664	70	20,818	59	3,930	18.83%
3	Public sector entities	6,060	255	5,514	165	1,945	34.24%
4	Multilateral development banks	20	-	20	-	-	0%
5	International organisations	-	-	-	-	-	0%
6	Institutions	1,680	8	1,770	8	819	46.09%
7	Corporates	13,087	160	12,205	112	7,909	64.21%
8	Retail	-	-	-	-	-	75.06%
9	Secured by mortgages on immovable property	-	-	-	-	-	0%
10	Exposures in default	451	15	387	14	526	131.14%
11	Exposures associated with particularly high risk	33	-	33	-	50	150%
12	Covered bonds	268	-	268	-	27	10%
13	Institutions and corporates with a short-term credit assessment	7	-	-	-	-	100%
14	Collective investment undertakings	-	-	-	-	-	0%
15	Equity	0	-	0	-	1	250%
16	Other items	387	-	387	-	89	23.06%
17	**TOTAL**	**67,910**	**566**	**67,882**	**417**	**15,426**	**22.59%**

7.5.3. 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	26,193	-	-	-	153	-	188	-	-	5	-	-	-	-	-	26,539
2	Regional governments or local authorities	2,454	-	-	-	17,612	-	803	-	-	8	-	-	-	-	-	20,877
3	Public sector entities	1,164	-	-	-	1,291	-	3,075	-	-	149	-	-	-	-	-	5,679
4	Multilateral development banks	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	238	-	1,536	-	-	4	-	-	-	-	-	1,778
7	Corporates	-	-	-	-	2,204	-	3,635	-	-	6,472	7	-	-	-	-	12,317
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	151	250	-	-	-	-	401
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	33	-	-	-	-	33
12	Covered bonds	-	-	-	268	-	-	-	-	-	-	-	-	-	-	-	268
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
16	Other items	298	-	-	-	-	-	-	-	-	89	-	-	-	-	-	387
17	**TOTAL**	**30,129**	**-**	**-**	**268**	**21,498**	**-**	**9,237**	**-**	**-**	**6,877**	**290**	**0**	**-**	**-**	**-**	**68,299**

The unrated rate is stable around 1%.

7.6. Credit risk mitigation techniques

7.6.1. Description of the main types of credit risk mitigants

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 the 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.

7.6.2. EU CRC – Qualitative disclosure requirements related to CRM techniques

According to Risk internal policy, the following collateral could be considered as credit risk mitigant by Dexia:
- Financial collateral (cash deposit held by the bank, gold, bonds issued by central governments, central banks, banks or entities with a credit quality step of 3), including for repo transaction only, all financial instruments eligible to be included in the trading book;
- Real Estate collateral (residential or commercial), including leased transactions on real estate underlying assets.

- Collaterals are usually not used by Dexia to reduce RWAs. This is because collaterals mainly relate to real estate for which (i) no updated collateral value is available in the information framework of Dexia and (ii) there is a correlation between the value of the collateral and the clients. Indeed Dexia benefits from estate collaterals in regards of the financing granted to French and UK Social housing companies. The collaterals are mainly mortgages on social housing buildings.

Finally, collaterals include c. EUR 300 million of collateral on equities and debt securities related to reverse repo operations (using loans and advances).

Dexia benefits from few CDS:
- From monolines to provide protection against the default of the underlying exposure (usually corporate utility or project finance bond);
- From some Italian regions against the sovereign Italian risk.

Financial guarantees on loans and advances mainly relate to guarantees (*caution simple, caution solidaire, garantie à première demande*) granted by local authorities (mainly in France) and by a monoline insurance company.

Financial guarantees on debt securities mainly relate to guarantees granted by monoline insurance companies. The main exposure is on the Assured group (Assured Guaranty Corp, Assured Guaranty Municipal Corp, Assured Guaranty UK Ltd and Assured Guaranty (Europe) SA).

Dexia Risk management regularly assesses the capacity of the monoline companies, and Assured Guaranty particularly, to comply with their regulatory and liquidity constraints.

Assured guarantees Dexia on c. EUR 168 million of notional exposure below investment grade (of which EUR 27 million classified in default) but still continue to make full and timely debt service payments.

7.6.3. EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

(in EUR million)		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	51,555	3,511	2,371	1,140	-
2	Debt securities	34,083	1,371*	-	1,371	-
3	**TOTAL**	**85,637**	**4,881**	**2,371**	**2,511**	**-**
4	*Of which non-performing exposures*	488	109	50	59	-

** The amount only takes account of express commitments materialised in a bilateral agreement between Dexia and the guarantor.*

7.7. Counterparty credit risk

7.7.1. Concepts

7.7.1.1. 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.

7.7.1.2. 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 cash taker, most repo transactions record a positive transactional haircut (difference between received and posted cash 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 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 loss 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 the 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 the 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 – VaR): the CVA capital charge corresponds to a VaR applied to the CVA. The VaR is measured by the CRR2 standardised method.

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

7.7.2. 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 and netting agreement determine the level of potential future exposure. First of all, the degree of collateralization 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 to fully or partially 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).

7.7.3. EU CCRA – Qualitative disclosure related to CCR

For swap and derivative products, the Exposure at Default (EAD) is calculated, from 2021 Q2 onwards, using the exposure value of the standardised approach for Counterparty Credit Risk (SA-CCR) as defined in the CRR2. The SA-CCR replaces the exposure method applicable until the end of the first quarter 2021.

The exposure under the SA-CCR consists of the sum of the replacement cost and the potential future exposure, corrected with the applicable multiplier. In case of a netting agreement, the exposure value is calculated at netting set level for all transactions covered by the netting agreement. The replacement cost is calculated at netting set level or at transaction level and is a direct function of the derivative value and the collateral and/or margining agreement characteristics. The potential future exposure consists of a multiplier and an aggregate add-on. The multiplier allows to factor in the partial recognition of excess capital. The add-on captures the exposure volatility and depends, in particular, on the risk category type, the off-setting within a hedging set, diversification benefits across hedging sets within the same risk category and the regulatory sensitivity and volatility parameters as defined in the CRR2.

The resulting EAD measure is used to calculate the credit RWA on default risk and the RWA CVA. The RWA CVA determines the own fund requirements for CVA risk on the applicable scope defined by the CRR.

Dexia calculates the own funds requirements for CVA risk for all the OTC derivative instruments other than credit derivatives recognised to reduce risk-weighted exposure on the scope outlined in CRR Art. 382. For the computation of own funds requirements on CVA, Dexia uses the standardised approach defined by the CRR, Article 384.

Wrong way risk

Dexia evaluates the general wrong way risk and specific wrong way risk defined in CRR Article 191(1)(a) and CRR Article 191(1)(b).

General wrong way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors. The general wrong way risk is assessed in two steps:
- The stress test impact on the counterparty credit risk exposures is evaluated under various stress scenarios.
- The creditworthiness of the counterparties under the stress scenarios is evaluated.

Specific wrong way risk arises when future exposure to a specific counterparty is positively correlated with the counterparty's PD due to the nature of the transactions with the counterparty. An institution shall be considered to be exposed to specific WWR if the future exposure to a specific counterparty is expected to be high when the counterparty's probability of default is also high.

Both assessments are updated annually and, when required, the regulatory RWA add-on is evaluated quarterly. The 2021 assessment was presented to the Management Board and the Risk Committee.

7.7.4. 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)	-	-	-	-	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-	-	-	-	-	-	-
1	SA-CCR (for derivatives)	1,458	495	-	-	6,325	2,735	2,627	1,652
2	IMM (for derivatives and SFTs)	-	-	-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*	-	-	-	-	-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*	-	-	-	-	-	-	-	-
2c	*Of which from contractual cross-product netting sets*	-	-	-	-	-	-	-	-
3	Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-	-
4	Financial collateral comprehensive method (for SFTs)	-	-	-	-	110	110	110	25
5	VaR for SFTs	-	-	-	-	-	-	-	-
6	**TOTAL**	**-**	**-**	**-**	**-**	**6,435**	**2,845**	**2,737**	**1,677**

The derivative exposure value as defined by the CRR2 regulation under the SA-CCR approach, amounted EUR 2.6 billion as at 31 December 2021, after deduction of the incurred CVA. 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 equalled 63% and was equivalent to an RWEA amount of EUR 1.7 billion. This amount does not include the capital charge for CVA.

The exposure value prior to deduction of incurred CVA amounted to EUR 2.7 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 1.5 billion replacement cost and EUR 0.5 billion potential future exposure, multiplied with the regulatory alpha equal to 1.4.

Note that the exposure value would increase to EUR 6.3 billion (exposure value pre-CRM), in case collateral would be disregarded as a credit risk mitigation technique, though still accounting for the effect of netting.

Finally, the EUR 110 million exposure value for Securities Financing Transactions (SFT) subject to the comprehensive method has limited materiality with respect to the SA-CCR exposure for derivatives.

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

(in EUR million)		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	465	342
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**TOTAL**	**465**	**342**

The own funds requirement for CVA risk covers derivatives on financial counterparties. The SA-CCR exposure value on this sub-scope amounted to EUR 465 million as at 31 December 2021. Dexia uses the standardised method for own funds requirements for CVA risk. The corresponding RWEA amounted to EUR 342 million, equivalent to an average risk weight of 74%.

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

	Exposure classes (in EUR million)	Risk weight 0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	16	-	-	-	-	-	-	-	-	-	-	16
2	Regional governments or local authorities	6	-	-	-	547	-	-	-	-	-	-	553
3	Public sector entities	56	-	-	-	87	31	-	-	1	-	-	175
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1,281	1	-	118	298	-	-	23	-	-	1,720
7	Corporates	-	-	-	-	7	36	-	-	1,413	-	-	1,455
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	241	5	-	-	4	-	-	250
10	Other items	-	-	-	-	-	-	-	-	-	57	-	57
11	**TOTAL**	**78**	**1,281**	**1**	**-**	**1,000**	**370**	**-**	**-**	**1,439**	**57**	**-**	**4,226**

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

- Central governments exposure is largely on UE 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 externally rated ones being weighted either 50% or 100%;
- Institutions (average RW%: 11.7%) are mostly weighted 2%, with externally rated ones being weighted either 50% or 100%.

7.7.7. 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	
	(in EUR million)	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	-	2,390	-	79	-	-	-	73
2	Cash – other currencies	-	174	-	5	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	1,466
4	Other sovereign debt	-	-	-	-	-	-	-	19,861
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	286	-	-	-	746
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	651
9	**TOTAL**	**-**	**2,564**	**-**	**369**	**-**	**-**	**-**	**22,796**

In the SA-CCR EAD measurement following CRR2, EUR 2.6 bilion fair value of received collateral (fully cash collateral) is accounted for, while EUR 0.4 billion of posted collateral is accounted for (largely corporate bonds).

With respect to Securities Financing Transactions (SFT), the total posted collateral, in an amount of EUR 23 billion, is almost fully composed of sovereign debt EUR 20 billion), which is a large part of the credit portfolio. No collateral is received in SFT, as SFTs are mainly used for borrowing at Dexia.

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

7.7.8. EU CCR6 – Credit derivatives exposures

(in EUR million)		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**	**1,372**	**1,372**
Fair values			
7	Positive fair value (asset)	64	-
8	Negative fair value (liability)	-	54

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

7.7.9. EU CCR8 – Exposures to CCPs

(in EUR million)		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		98
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,258	25
3	*(i) OTC derivatives*	*17*	*0*
4	*(ii) Exchange-traded derivatives*	-	-
5	*(iii) SFTs*	*1,241*	*25*
6	*(iv) Netting sets where cross-product netting has been approved*	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	111	73
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)	-	-

All exposure to central counterparties is on qualifying central counterparties (QCCP) and amounted to EUR 1.3 billion. It is mainly composed of Dexia's repo activities (SFTs) which accounted for EUR 1.2 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 billion), though with EUR 73 million of RWEA it is the main contributor to the overall level of EUR 98 million, given its higher average risk weight (66%).

7.8. Focus on securitisation activities

7.8.1. EU-SECA - Qualitative disclosure requirements related to securitisation exposures

Dexia is managing a 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.

Risk Monitoring

The Credit Risk Management department monitors Dexia's ABS positions. The process in place to monitor the changes in the underlying credit or market risk is organised as follows:

- Depending on the level of risk of each position, an annual or half-yearly full review is carried out analysing both the market on which the underlying assets are based (real estate markets for RMBS, corporate markets for CDOs and so on) and also the underlying performance and credit or market risk features of each individual transaction. Based on this individual analysis (with cash-flow models for the RMBS and CDOs), an internal rating is attributed to each position.
- On a quarterly basis, the most sensitive exposures classified in the "Watch" or "Quarterly review" lists are reviewed by a dedicated Watch-List Risk Committee, which also decides on impairments.

Analysis of rating migration related to external rating agencies is based on daily monitoring. As to the inherent liquidity risk in ABS positions:
- The vast majority of the ABS positions are characterised by static pools of assets, limiting the risk of cash-flow mismatches between assets and liabilities.
- Liquidity risk might be partially related to the difference between the interest rate paid by the pool of underlying assets and the rate paid on the notes issued, in case of a mismatch between the assets.

Basel III treatment and accounting rules

Basel III treatment

Dexia applies the external rating-based approach (SEC-ERBA) to calculate the risk-weighted assets corresponding to securitisation exposures. The SEC-ERBA method determines the risk weight percentage applicable as a function of the external rating of the securitisation exposure, the tranche seniority, the tranche tickness (for non-senior tranches) and the maturity. When no external or inferred rating is available, the amount of the securitisation position is deducted from capital or receives a risk weight of 1250%. Re-securitisation positions receive a 1250% risk weight.

For both securitisation originations and calculating risk-weighted assets in relation to its investments in securitisation positions, Dexia uses the services of the following rating agencies: Standard & Poor's, Moody's and Fitch.

Accounting rules

The recognition and de-recognition of financial assets and liabilities relating to securitisation transactions, their valuation and accounting treatment are pursuant to IFRS 9 relating to "Financial instrument recognition and measurement".
Securitisation positions where the bank acts as an investor are classified in the IFRS 9 category of "amortised cost", "fair value through OCI" and "fair value through profit or loss"cf. Note 1.1.6.2 to the consolidated financial statements in Dexia's Annual Report 2021.
The valuation techniques for such assets are detailed in the Note 1.1.7.2 to the consolidated financial statements in Dexia's Annual Report 2021.
For consolidation purposes, a securitisation-structured entity is consolidated in accordance with IFRS 10 relating to consolidation as described in Note 1.1.3 to the consolidated financial statements in Dexia's Annual Report 2021.
Dexia has no assets awaiting securitisation.

7.8.2. EU-SEC1 - Securitisation exposures in the non-trading book

		Institution acts as an originator						
		Traditional				Synthetic		
		STS		Non-STS			of which SRT	
(in EUR million)			of which SRT		of which SRT			SUB-TOTAL
1	TOTAL EXPOSURES	-	-	-	-	1,158	1,158	1,158
2	Retail (total)	-	-	-	-	-	-	-
7	Wholesale (total)	-	-	-	-	1,158	1,158	1,158
11	*other wholesale*	-	-	-	-	*1,158*	*1,158*	*1,158*

		Institution acts as an investor			
		Traditional		Synthetic	
(in EUR million)		STS	Non-STS		SUB-TOTAL
1	TOTAL EXPOSURES	-	22	-	22
2	Retail (total)	-	-	-	-
7	Wholesale (total)	-	-	-	-
11	*other wholesale*	-	-	-	-

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

7.8.3. EU-SEC2 - Securitisation exposures in the trading book

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

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

All of Dexia's origination operations, except WISE, were carried out with a view to obtaining long-term funding or establishing a liquidity buffer. The risk was not transferred out of the Group. Dexia Crédit Local has not initiated any new securitisation transaction since 2010. Dexia has not securitised any revolving exposure or liquidity facilities which are shared between investors and Dexia as originator.

(in EUR million)		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**	**-**	**1,130**	**-**	**-**	**28**
2	Traditional transactions	-	-	-	-	-
3	Securitisation	-	-	-	-	-
4	Retail underlying	-	-	-	-	-
6	Wholesale	-	-	-	-	-
8	Re-securitisation	-	-	-	-	-
9	Synthetic transactions	-	1,130	-	-	28
10	Securitisation	-	1,130	-	-	28
11	Retail underlying	-	-	-	-	-
12	Wholesale	-	1,130	-	-	28
13	Re-securitisation	-	-	-	-	-

(in EUR million)		Exposure values (by regulatory approach)			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	**TOTAL EXPOSURES**	**-**	**1,130**	**-**	**28**
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
6	Wholesale	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	1,130	-	28
10	Securitisation	-	1,130	-	28
11	Retail underlying	-	-	-	-
12	Wholesale	-	1,130	-	28
13	Re-securitisation	-	-	-	-

(in EUR million)		RWEA (by regulatory approach)			
		SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	**TOTAL EXPOSURES**	**-**	**452**	**-**	**349**
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
6	Wholesale	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	452	-	349
10	Securitisation	-	452	-	349
11	Retail underlying	-	-	-	-
12	Wholesale	-	452	-	349
13	Re-securitisation	-	-	-	-

(in EUR million)		Capital charge after cap SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	TOTAL EXPOSURES	-	36	-	28
2	Traditional transactions	-	-	-	-
3	Securitisation	-	-	-	-
4	Retail underlying	-	-	-	-
6	Wholesale	-	-	-	-
8	Re-securitisation	-	-	-	-
9	Synthetic transactions	-	36	-	28
10	Securitisation	-	36	-	28
11	Retail underlying	-	-	-	-
12	Wholesale	-	36	-	28
13	Re-securitisation	-	-	-	-

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

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

(in EUR million)		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	-	22	-	-	-
2	Traditional transactions	-	22	-	-	-
3	Securitisation	-	22	-	-	-

(in EUR million)		Exposure values (by regulatory approach) SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	TOTAL EXPOSURES	-	22	-	-
2	Traditional transactions	-	22	-	-
3	Securitisation	-	22	-	-

(in EUR million)		RWEA (by regulatory approach) SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250% RW / deductions
1	TOTAL EXPOSURES	-	7	-	-
2	Traditional transactions	-	7	-	-
3	Securitisation	-	7	-	-

(in EUR million)		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	-	-

7.8.6. 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
(in EUR million)			Of which exposures in default	
1	**TOTAL EXPOSURES**	**1,206**	**-**	**-**
2	Retail (total)	-	-	-
7	Wholesale (total)	1,206	-	-
8	Loans to corporates	-	-	-
11	Other wholesale	1,206	-	-

8. Market risk

8.1. 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-tests results and the corresponding analysis are presented to the Risk Committee on a quarterly basis.

8.2. Basel treatment

Internal model

The parametric 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 2008 financial crisis (period from September 2008 until 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.

8.3. 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 that are not captured by the VaR such as fees, in order to challenge the robustness of the Dexia model better.

Back-testing is performed both on 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 department with a view of the number of exceptions. This number is taken into account to adjust, through an addend, the multiplier used for calculating the bank's risk capital requirements for market risk under the regulatory internal model.

Over the whole of 2021, 3 back-testing overshootings were reported (no "addend" on capital charge computation). Three overshootings on actual VaR back-testing were reported over the first semester as a result of the novation of client swaps in the context of the remedial deleveraging plan.

8.4. EU MR1 - Market risk under the standardised approach

(in EUR million)		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	0
2	Equity risk (general and specific)	0
3	Foreign exchange risk	575
4	Commodity risk	0
	Options	0
9	**TOTAL**	**575**

RWA FX were stable over the year moving from EUR 573 million at the end of December 2020 to EUR 575 million at the end of December 2021.

8.5. EU MRB: Qualitative disclosure requirements for institutions using the internal market risk models

		Flexible format disclosure
EU (a)	**Article 455(c) CRR** Description of the procedures and systems implemented for the assurance of tradability of the positions included in the trading book in order to comply with the requirements of Article 104. Description of the methodology used to ensure that the policies and procedures implemented for the overall management of the trading book are appropriate.	As a general principle, it is reminded here that Dexia does not perform proprietary trading. Dexia's portfolio, managed in the trading activity, only contains vanilla products consisting in liquid linear rates derivatives on all major currencies (EUR, USD, GBP, JPY, CAD and CHF) (It does not contain any commodities or equity instruments). The structuring activity aims at managing risks arising from micro -hedged complex products and customers' derivatives, under the principle that all non-vanilla deals must be perfectly hedged in order to perfectly offset non-vanilla risks. The Market Risk Management (MRM) framework for prudential trading book defined by Dexia ensures the appropriateness of the trading activity according to authorised risk appetite and business objectives. Within the entire Dexia Group, Financial Markets Risk (FMR) defines and monitors all risk indicators from trading activities. FMR also ensures that the methodology on risk measurement used within the Group is harmonised. it organises regular and ad hoc Market Risk Committees on topics such as limit overshooting, The structure of the MRM framework is composed of: VaR, P/L triggers and IR sensitivity; maturity & currencies controls and Back-To-Back control. The latest three controls aim therefore at ensuring the tradability and liquidity of the positions in the trading book. In addition to the usual indicators, a check is annually performed to make sure that all deals are correctly mirrored. Moreover, the P&L trigger framework serves two objectives: • Prevent the bank from suffering an economic loss in excess of a certain threshold; • Assess the fundamentals and risk profiles of certain positions or portfolios, whenever a certain economic loss or decline in economic value is reported. Triggers are calculated from the YTD highest P&L in order to preserve the total P&L. The stop loss limit is however calculated from zero as it is a measure of protection of capital. Triggers are set at the maximum level preconised in the MRM policy. They are detailed in the risk mandates. In order to correctly monitor market risks, a dedicated document called "Risk Mandates" summarizes authorisations given to each desk. They contain the risk framework for market risk management. Each risk mandate contains: • Information on the organisational framework (responsible, brief activity description, books); • VaR limits,P&L triggers or stop loss; • Sensitivity limits; • Other limits (by notional, contract number…) if necessary; • Authorised products; • Authorised currencies. The updates of the risk mandates are subject to MRC approval and are made available on the FMR sharePoint. Limits are set on VaR and sensitivities. Sensitivity limits are set on each IR or basis curve in order to efficiently monitor market risks. VaR and sensitivity limits have to be consistent. This is checked with a specific methodology described in the document "IR sensitivity monitoring framework". As described in the "Market Risk Management Policy" limits are classified in 3 levels: • Level 1: VaR limits set by the Management Board; • Level 2: other VaR limits; • Level 3: sensitivity limits set by the MRC. • Several reports are produced on a daily, monthly and quarterly basis in order to monitor the different limits and triggers as defined in the risk mandates: • Sensitivities and VaR are sent to the Front Office in order to manage the trading portfolio; • Limit consumption and/or limit breach detection; • P&L explain and threshold trigger detection; • Hypothetical and effective P&L for VaR back-testing.
EU (b)	**Article 455(c) CRR** For exposures from the trading and the non-trading book that are measured at fair value in accordance with the applicable accounting framework and that have their exposure value adjusted in accordance with Part Two, Title I, Chapter 2, Article 34 and Part Three, Title I, Chapter 3, Article 105 of the CRR (as well as the Commission Delegated Regulation (EU) No 2016/101), institutions shall describe systems and controls to ensure that the valuation estimates are prudent and reliable. These disclosures shall be provided as part of the market risk disclosures for exposures from the trading book.	Dexia's governance on fair value measurement is based on the following building blocks: • Fair value calculation (including valuation adjustment) and disclosure, • Independent review of the model valuation performed by the Validation department, • Regular independent price verification and model risk monitoring, • Prudent valuation. Fair value measurement governance involves several committees that deal with valuation issues. The Management Board (supervises major decisions taken by lower level committees (MRC and VAC). This governance ensures a strong control framework for valuation issues as well as the independence between the Front Office (FO), Risk (FMR) and Validation teams, with the aim of producing reliable valuation estimates for the risk monitoring of the trading activity as well as for a fair presentation of the financial and solvency situation of the Group. Dexia's general principles for fair value measurement ensure the use of quoted and observable prices when available or valuation models which take into account all factors that market participants would consider. Valuation models are developed by FMR and approved by the Validation department and are used for the official valuation processes. Dexia performs global adjustment to the valuation of its derivatives in order to take exit cost (bid/offer), funding cost (FVA) and counterparty risk (CVA/DVA) into account, as required by IFRS 13. Even if most valuation processes are already independent from FO, an Independent Price Verification (IPV) is performed and monitored within specific guidelines and committees (MRC and VCC). In compliance with Article 105 of Regulation 575/2013 (CRR), additional value adjustments are measured so as to ensure a prudent valuation framework.

		Flexible format disclosure
Point (i) of Article 455(a) CRR (A) Institutions using VaR models and SVaR models must disclose the following information:		
(a)	**Point (i) of Article 455 (a) and Article 455 (b) CRR** Description of activities and risks covered by VaR and SVaR models, specifying how they are distributed in portfolios/ sub-portfolios for which the competent authority has granted permission.	The approval received in January 2008 by the Autorité des Marchés (AMF) in France and the Financial Services and Markets Authority (FSMA) in Belgium covers the computation of market risk capital charge for general interest rate risk of Dexia Crédit Local's trading book. An extension of the internal model was granted to Dexia Crediop for the purpose of the computation of own funds requirements at consolidated level . The activities pertaining to the trading book are located in the following entities: • Dexia Crédit Local Paris: Trading and Structuring; • Dexia Crédit Local Dublin: Trading; • Dexia Crediop: Structuring. All instruments belonging to these perimeters are included in the internal model. The VaR calculation is based on the fundamental principle that all risk factors and parameters influencing the pricing and used in the daily valuation of positions are also integrated into the VaR calculation, as stated in the regulatory requirements: "the model shall capture accurately all material price risks" (Art 367 CRR). The risk factor identification process starts from the list of authorised products listed in the risk mandates. As the VaR and SVaR models are leveraging the sensitivities produced by the pricing models, the list of risk factors which have to be monitored is derived from the risk factors used in the corresponding pricing models. The Parametric VaR is currently covering the following risk factors: • Interest rate curves, • Cross currency basis spreads, • SIFMA ratio, • Inflation. This scope allows covering all interest rate risk of the portfolio, taking into account the empirical correlation between the different risk factors. The stressed VaR applies to the same scope and risk factors than the one taken into consideration in the internal model perimeter for the VaR calculation.
(b)	**Article 455(b) CRR** Description of the scope of application of the VaR and SVaR models for which the competent authority has granted permission, *including which entities in the group use these models and how the models represent all the models used at the group level, as well as the percentage of own funds requirements covered by the models /or if the same models of VaR/SVaR are used for all entities with market risk exposure*	If controls are set on book coverage on a yearly basis to ensure the exhaustiveness of the books into the VaR and internal model scope, some risk factors for which the inclusion in the VaR measure is not straight forward, are kept out of the internal model for being marginal. These exclusions are approved by the MRC, clearly identified in the risk/VaR cartography, yearly reassessed and integrated in the stress tests. Risks not in the model (RNIM) are identified and monitored. Controls are in place so as to ensure that no material risk factors are missing in the models. On top of regular controls, at least on a yearly basis, RNIM potential impacts on VaR are exhaustively re-assessed so as to ensure that none of them can lead to an underestimation of the VaR by more than 5%. If so, an action plan is proposed.
	Point (i) of Article 455(a) CRR Characteristics of the models used, including:	
(c)	*General description of regulatory VaR and SVaR models*	Dexia made the choice to use a parametric VaR based on sensitivities. It is calculated with a sensitivity-based approach (first-order approximation). Dexia Crédit Local computes regulatory VaR and SVaR on a regular basis: • The VaR is computed on a daily basis, • The SVaR is computed on a weekly basis. A history of market data is necessary for the computation of VaR. This history is built by collecting day to day market data (used for internal valuation). On a broader perspective, two kinds of tests must be run on historical dataset: quality of data, that is the detection and cleaning of irregularities, and consistency of histories with data used for internal valuation. These tests are very important in order to ensure quality of the VaR computed and the stability of the measure. The VaR is computed using: • The net sensitivity of the portfolio. Sensitivities (delta) are computed in FO systems. • The Variance-Covariance (VCV) matrix of risk factors estimated across the 482 most recent business days: It is estimated from historical collection of market data. The VCV of the normal distribution of the risk factors is computed through the standard deviations and the correlations which are estimated from historical values of the risk factors. Hence, the computation of the VaR requires market data to compute the VCV but also relies on market data for sensitivity valuation. The SVaR computation is calibrated to historical data from a continuous 12-month common to all risk factors included in the internal model perimeter. The SVaR is a VaR routine whose VCV matrix corresponds to a stressed period. The computation of the correlation matrix and the volatility table along with the determination of the stressed period use an independent dataset established by FMR.
(d)	*Discussion of the main differences, if any, between the model used for management purposes and the model used for regulatory purposes (10 day 99%) for VaR and SVaR models.*	d) Non Applicable, Dexia use the same model for management and regulatory purposes since within Dexia.
(e)	*For VaR models:*	e)
(i)	*Data updating frequency;*	i) The VCV matrix is computed weekly

		Flexible format disclosure
(ii)	*Length of the data period that is used to calibrate the model. Describe the weighting scheme that is used (if any);*	The model is calibrated, based on a data period of 482 business days, with a monthly weighting scheme test to determine the computation method between an equally weighted method or a decay-factor method, with a factor of 0.97. Indeed, two methods are defined for the computation: • a so-called equally weighting method, without data weighting, • a so-called decay factor weighting method, with an exponential weighting. The calculation method applied is reassessed each month. In order to choose which method should be used to calculate the VCV matrix, each month the following test is performed: • First, the VaR on the internal model perimeter is computed based on the equally weighted VCV matrix, • Secondly, the same computation is performed but with the decay factor VCV matrix, • Then both amounts of VaR are compared and the method selected is the one that gives the greatest amount of VaR. The selected method will be used until the next monthly test but the VCV matrix will be recalculated weekly with the chosen method. In case of market turmoil, the test can be performed on a weekly basis.
(iii)	*How the institutions determines the 10-day holding period (for example, does it scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR?);*	The 10 day horizon VaR is obtained by multiplying by √(10) the VaR for a one day horizon.
(iv)	*Aggregation approach, which is the method for aggregating the specific and general risk (i.e. do the institutions calculate the specific charge as a stand-alone charge by using a different method than the one used to calculate the general risk or do the institutions use a single model that diversifies general and specific risk?);*	The only credit spread risk in Dexia Prudential Trading portfolio is the risk stemming from i) the spread between government -bond rate and BOR swap rate when trading bond futures and back-to-backed CDS on 0% risk-weighted sovereign exposures. The specific risk is computed according to the standardised approach and own funds requirements arising for such computation would simply be summed to those arising from the general interest rate risk.
(v)	*Valuation approach (full revaluation or use of approximations);*	Dexia's parametric methodology is well appropriated because there is no convexity for the Dexia's portfolios. So whatever the level of standard deviation, the parametric VaR calculation (and consequently the SVaR) using first order (delta) sensitivity is sufficient and no full revaluation is necessary. The gamma exposure can be considered as low because non-vanilla products are perfectly micro-hedged (through back-to-back swaps), leaving only a remaining deterministic spread. All other products are vanilla. Two controls ensure that this assumption is correct: • First, a P&L explain is performed daily and confirms that first order effects explain the daily changes (with stock and theta/time effects). Thresholds on "P&L Unexplained" have been set and in case of breaches, actions are launched to investigate the reason of this issue. • Secondly, +/- 100 bp stress-tests are performed quarterly and allow Market Risk teams to assess the non-materiality of second order effects.
(vi)	*Whether, when simulating potential movements in risk factors, absolute or relative returns (or a mixed approach) are used (i.e. proportional change in prices or rates or absolute change in prices or rates).*	When simulating potential movements in risk factors, absolute returns are used. The representation of risk factors through relative variation is possible while market data are always strictly positive
(f)	*For SVaR models, specify:*	
(i)	*How the 10-day holding period is determined. For example, does the institution scale up a 1-day VaR by the square root of 10, or does it directly model the 10-day VaR? If the approach is the same as for the VaR models, the institutions may confirm this and refer to disclosure (e) (iii) above;*	The 10-day horizon VaR is obtained by multiplying by √(10) the VaR for a horizon of 1 day. The scaling is therefore the same as for the VaR model.
(ii)	*The stress period chosen by the institution and the rationale for this choice;*	Dexia uses the VaR based approach to determine the stressed period. According to this approach, the historical period is identified by running the full VaR model from June 2008 to the present and selecting the 12-month period which produces the highest VaR for the said portfolio.
(iii)	*Valuation approach (full revaluation or use of approximations).*	iii) Please refer to e) (v)
(g)	**Point (iii) of Article 455(a) CRR** Description of stress testing applied to the modelling parameters (main scenarios developed to capture the characteristics of the portfolios to which the VaR and SVaR models apply at the group level).	+/- 100 bp stress tests are performed quarterly and allow Market Risk teams to assess non-materiality of second order effects.

		Flexible format disclosure
(h)	**Point (iv) of Article 455(a) CRR** Description of the approach used for backtesting/validating the accuracy and internal consistency of data and parameters used for the internal models and modelling processes.	The back-testing analysis is conducted in order to estimate the quality of the model, which can be determined by the number of exceptions over the last year. For each exception, an analysis is performed in order to identify the root cause of the exceptional loss. The causes may be as varied as market movements, intraday trading P&L, and so on. The root cause is reported to MRC and to the supervisory authorities. The back-testing is carried out on all portfolios included in the internal model perimeter: Trading Paris and Dublin and Structuring Paris and Crediop and computed at all sub-levels, corresponding to entity/activity of this scope.

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

(in EUR million)		RWEAs	Own funds requirements
1	**VaR (higher of values a and b)**	70	6
(a)	Previous day's VaR (VaRt-1)		1
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		6
2	**SVaR (higher of values a and b)**	340	27
(a)	Latest available SVaR (SVaRt-1))		5
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		27
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		-
(b)	12 weeks average of comprehensive risk measure		-
(c)	Comprehensive risk measure - Floor		-
6	**TOTAL**	**410**	**33**

Over the semester, the RWA IM increased from EUR 339 million as at 30 June 2021 to EUR 410 million as at 31 December 2021. The increase is globally explained by:

- The risk profile of the internal model perimeter, which continually increased since the end of the previous semester (H1 2021), automatically leading to an increase in the average of SVaR (+24%) over the semester.
- The average VaR evolution, which remained stable over the semester due to a decrease from end of June to end of September of the volatilities during this 3th quarter followed by an increase in the 4th quarter, linked to the switch to the new equally weighted method for the VCV on DCL Paris Trading Scope.

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

(in EUR million)		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	**RWEAs as at 30 September 2021**	**59**	**321**	**-**	**-**		**380**	**30**
1a	Regulatory adjustment	(46)	(261)	-	-		(307)	(25)
1b	RWEAs at the previous quarter-end (end of the day)	13	59	-	-		73	6
2	Movement in risk levels	-	1	-	-		1	-
3	Model updates/changes	1	-	-	-		-	-
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)	15	61	-	-		75	6
8b	Regulatory adjustment	55	280	-	-		335	27
8	**RWEAs as at 31 December 2021**	**70**	**340**	**-**	**-**		**410**	**33**

8.8. EU MR3 - LIMA values for the trading portfolio

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.

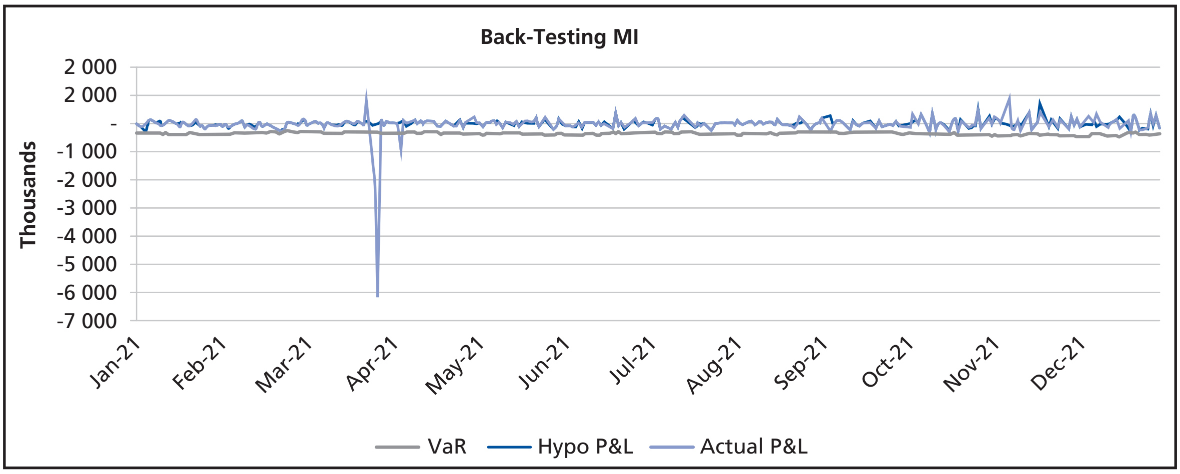
Value adjustments (CVA, DVA, FVA) and their variation are not included in the VaR model but are included in stress scenarios.

The detail of the VaR from the trading portfolios is presented in the previous table. At the end of December 2021, total consumption in VaR was EUR 1,2 million against EUR 1,1 million at the end of December 2020.

(in EUR million)		IMA values of the trading portfolios
VaR (10 day 99%)		
1	Maximum value	1.49
2	Average value	1.07
3	Minimum value	0.94
4	Period end	1.18
SVaR (10 day 99%)		
5	Maximum value	6.52
6	Average value	4.4
7	Minimum value	3.96
8	Period end	4.85
IRC (99.9%)		
9	Maximum value	
10	Average value	
11	Minimum value	
12	Period end	0

(in EUR million)		IMA values of the trading portfolios
Comprehensive risk measure (99.9%)		
13	Maximum value	
14	Average value	
15	Minimum value	
16	Period end	0

8.9. EU MR4 - Comparison of VaR estimates with gains/losses



9. Liquidity requirements

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

In the specific context of Dexia, liquidity management is essential to achieve its objectives set out in the Orderly Resolution Plan (ORP). "To secure liquidity" has been identified as one the 3 strategic objectives and hence, the liquidity and funding position is monitored closely with numerous processes that have been put in place.

As of 31 December 2021, Dexia holds a comfortable liquidity situation, beyond the minimum regulatory requirements.

- All liquidity and funding indicators of the Risk Appetite Framework [RAF] are in the green zone:
- A EUR 13.1 billion liquidity buffer, composed of cash and unused liquid assets, calibrated to enable it to cope with stressed market conditions, affecting negatively i) the amount of cash collateral to be posted for derivatives, ii) the liquidity needs in EUR necessary to close FX-denominated liquidity gaps and iii) the value of the liquidity reserve. The liquidity buffer does not include assets pledged to the Emergency Liquidity Assistance pool. Those assets are used as a contingent buffer should Dexia have to face a systemic risk.
- The minimum requirement in terms of LCR and NSFR, at consolidated and sub-consolidated levels, are met at closing date and in the upcoming 12 months.
- There are sufficient active counterparts for providing secured funding, with the TOP 1 counterpart not exceeding 50% of the total repo funding. The purpose of this liquidity risk indicator is to measure the reliance to one specific repo platform (Eurex or LCH).

The RAF indicators have been designed so as to manage the Dexia's strategic objectives (*Secure Liquidity, Maintain Solvency, Ensure Business Continuity*) in order to preserve the interests of the States shareholders and guarantors. Those indicators address the main liquidity and funding risks identified, considering the specific context of Dexia, namely the roll over risk, the volatility of market risk parameters affecting cash collateral requirements, liquidity reserves value and liquidity needs for closing FX-denominated liquidity gaps as well as the concentration risk and the intraday liquidity risk. Liquidity risks related to commitments given (EUR <400 million) or downgrade trigger (EUR <100 million are disregarded, although measured. Also, the risk related to the non-execution of the deleveraging plan is not covered by the target liquidity buffer as the sale of assets constitutes one of the contingency measure that would be activated in case of shortfall.

RAF indicators are reported on a monthly basis to the ALCO Committee and quarterly to the Board of Directors through a liquidity risk dashboard based on a monthly liquidity plan at one year.

Part of the liquidity risk framework contingency funding plan test is performed every year to ensure the ability for Dexia to face extreme stressed situation regarding liquidity.

Other type of liquidity stress requirements under exceptional although plausible scenarios in a certain time horizons up to two years are performed such as:
- Market-wide shocks that affect all banks in the system;
- Idiosyncratic shocks, e.g. due to the financial deterioration of Dexia;
- Combined scenario.

Stress scenarios are applied on on-balance sheet and off-balance sheet components of the residual gap, which is the main liquidity driver. They are used to capture funding requirement volatility created by the market environment and to highlight stress conditions for accessing funding.

The residual gap is the difference between:
- The dynamic liquidity gap composed of the static liquidity gap profile adjusted for gap assumptions (new transactions, roll of repo, roll of short-term funding, and so on);

- The dynamic buffer of reserves composed of the static buffer of eligible reserves adjusted for reserve assumptions.
- Stress tests mainly performed on wholesale funding, cash collateral and reserves (assets) eligible for pledging to central banks, funding deposits and secured funding. The stress encompasses off-balance sheet commitments and downgrade triggers.

9.2. Liquidity Coverage Ratio (LCR)

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

The minimum requirement level is set at 100%. Dexia consolidated LCR ratio amounted to 176% as at 31 December 2021 compared to 259% as at 30 September 2021) (and 136% as at 31 December 2020). This decrease is the result of the Group's efforts to optimise its LCR liquidity reserve. This reserve is made up of almost 67% of cash at the European Central Bank and 33% of assets from central governments and local authorities. As at 31 December 2021, it amounted to EUR 14 billion, compared to EUR 16 billion as at 30 September 2021, a decrease of EUR 271 million on cash at the ECB and a decline of EUR 1.4 billion on VHQLA securities.

Dexia's inflows amounted to EUR 0.9 billion as at 31 December 2021 compared to EUR 1.1 billion as at 30 September 2021, mainly from unsecured transactions and securities maturing during 30 days not included in the stock of HQLA.

Dexia's outflows amounted to EUR 9.1 billion compared to EUR 7.5 billion as at 30 September 2021 composed of nostro accounts, increased liquidity needs related to downgrade triggers, debt maturing within the calculation period. The yearly evolution of outflows is explained by the maturity of GGB LT EUR and USD in January (cf formula above, expected cash outflow over the next 30 calendar days). The liquidity requirement related to derivative transactions is limited and represents insignificant amounts.

Dexia does not manage the LCR by currency but in all currencies in equivalent euro exchange. The continuation of the resolution assumes that Dexia and Dexia Crédit Local are able maintain a good funding capacity which relies in particular on the appetite of investors for the debt guaranteed by the Belgian and French States as well as on the capacity of Dexia Crédit Local to collect secured funding.

(in EUR million)		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	**31/12/2021**	**30/09/2021**	**30/06/2021**	**31/03/2021**	**31/12/2021**	**30/09/2021**	**30/06/2021**	**31/03/2021**
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					14,427	16,538	14,971	16,103
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	*Unsecured wholesale funding*	183	521	14	33	154	513	6	13
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	49	14	14	33	19	6	6	13
8	*Unsecured debt*	134	507	-	-	134	507	-	-
9	*Secured wholesale funding*					22	56	49	69
10	Additional requirements	4,009	3,929	4,081	3,980	3,718	3,572	3,602	3,578
11	*Outflows related to derivative exposures and other collateral requirements*	3,686	3,533	3,549	3,533	3,686	3,533	3,549	3,533

(in EUR million)		Total unweighted value (average)				Total weighted value (average)			
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	323	397	532	448	32	40	53	45
14	Other contractual funding obligations	5,248	3,388	3,705	4,732	5,248	3,388	3,705	4,732
15	Other contingent funding obligations	429	426	443	390	-	-	-	-
16	**TOTAL**					**9,142**	**7,530**	**7,361**	**8,392**
Cash inflows									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	-	-	102	175	-	-	81	121
19	Other cash inflows	968	1,147	1,160	2,735	968	1,147	1,160	2,735
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)					-	-	-	-
						-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL**	**968**	**1,147**	**1,262**	**2,910**	**968**	**1,147**	**1,242**	**2,856**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	968	1,147	1,262	2,910	968	1,147	1,242	2,856
Total adjusted value									
21	**Liquidity buffer**					**14,427**	**16,538**	**14,971**	**16,103**
22	**Total net cash outflows**					**8,174**	**6,383**	**6,120**	**5,535**
23	**Liquidity Coverage Ratio**					**176.50%**	**259.10%**	**244.63%**	**290.91%**

9.3. EU LIQ2: Net Stable Funding Ratio

(in EUR million)		Unweighted value by residual maturity: No maturity	< 6months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments:	6,454	-	-	86	6,541
2	*Own funds*	*6,454*	-	-	*86*	*6,541*
3	*Other capital instruments*		-	-	-	-
4	Retail deposits:		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		26,420	3,188	30,857	32,562
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		*26,420*	*3,188*	*30,857*	*32,562*
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and capital instruments not included in the above categories*		-	-	-	-
14	**TOTAL**					**39,102**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					1,419

(in EUR million)		Unweighted value by residual maturity: No maturity	< 6months	6 months to < 1 year	≥ 1 year	Weighted value
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:		314	392	25,183	20,560
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		*140*	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		*3*	-	*125*	*126*
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*145*	*339*	*14,884*	*11,640*
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		*98*	*83*	*11,189*	*8,310*
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*27*	*52*	*10,174*	*8,794*
25	Interdependent assets		-	-	-	-
26	Other assets:	0	-	-	2,242	1,911
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	*2,208*	*1,877*
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*		-	-	*34*	*34*
32	Off-balance sheet items		748	-	-	37
33	**TOTAL**		**-**	**-**	**-**	**23,927**
Net Stable Funding Ratio (%)						163.42%

The Net Stable Funding Ratio (NSFR) requires banks to finance a significant part of their assets over a year with stable resources. The objective is to limit the banks' capacity of maturity transformation, i.e., to refinance their assets with shorter maturities resources. NSFR is specific to banks 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%:

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

The amounts of available and required stable funding are calibrated to reflect the degree of stability of liabilities and liquidity of assets.

ASF is composed of capital items and subordinated debt over a year and a proportion of liabilities according to their degree of stability.

The degree of stability is calibrated across the funding tenor dimension: (longer-term liabilities are assumed to be more stable than short-term liabilities), the funding type and the counterparty dimension.

RSF is composed of assets and a part of off-balance sheet positions. It is calibrated according to the asset quality and liquidity value (unencumbered high quality assets do not need to be wholly financed with stable funding), the asset tenor (short term assets require a smaller proportion of stable funding) and the credit risk across risk weighted factor for loans.

Dexia's consolidated NSFR stood at 163% as at 31 December 2021 compared to 136% as at 31 December 2020, exceeding the minimum requirement of 100%.

The weighted AFS is mainly driven by long-term government-guaranteed bonds which represent almost 79% of the total amount. Capital items represent. It stood at EUR 39 billion as at 31 December 2021, a decrease of EUR 5.3 billion compared to the end of December 2020. The reduction is explained by the evolution of Dexia's long-term funding strategy and new issues in GBP and USD.

The weighted RSF is composed of loans for 49% and non-liquid assets for 37%. It amounted to EUR 24 billion, a decrease of EUR 8.7 billion compared to the end of December 2020. The reduction is due to the deleveraging of assets and their hedging adjustment.

10. Asset encumbrance

10.1. EU AE1 - Encumbered and unencumbered assets

(in EUR million)		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
010	**Assets of the reporting institution**	**41,668**	**10,998**	**-**	**-**	**56,983**	**4,515**	**-**	**-**
030	Equity instruments	-	-	-	-	34	-	34	-
040	Debt securities	14,810	10,998	13,971	10,655	20,527	4,515	14,745	3,895
050	*of which: covered bonds*	-	-	-	-	-	-	-	-
060	*of which: securitisations*	-	-	-	-	*25*	-	*40*	-
070	*of which: issued by general governments*	*11,042*	*10,238*	*10,738*	*9,968*	*12,563*	*2,596*	*8,201*	*2,347*
080	*of which: issued by financial corporations*	*530*	*268*	*499*	*246*	*1,176*	-	*1,114*	-
090	*of which: issued by non-financial corporations*	*3,239*	*493*	*2,734*	*442*	*6,737*	*1,919*	*5,380*	*1,549*
120	Other assets	26,857	-	-	-	36,422	-	-	-

10.2. EU AE2 - Collateral received and own debt securities issued

(in EUR million)		Fair value of encumbered collateral received or own debt securities issued		Unencumbered fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
130	**Collateral received by the reporting institution**	**795**	-	58	-
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	795	-	58	-
200	*of which: issued by financial corporations*	*795*	-	*58*	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	**-**	**-**	**-**	**-**
241	**Own covered bonds and asset-backed securities issued and not yet pledged**	**-**	**-**	**-**	**-**
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**42,463**	**10,998**	**-**	**-**

10.3. EU AE3 - Sources of encumbrance

(in EUR million)		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
10	**Carrying amount of selected financial liabilities**	**41,771**	41,228

10.4. EU AE4 - Accompanying narrative information

Asset encumbrance reporting is important for a number of reasons:

- First, it provides a harmonised measure of asset encumbrance between institutions, which allows supervisors to compare the use of secured funding and the degree of structural subordination of unsecured creditors and depositors between institutions.

- Second, it allows supervisors to assess the ability of institutions to withstand financial stress by providing an assessment of the ability to switch to secured funding.

- Finally, it can be integrated into crisis management, as it allows a general assessment of the amount of assets available in a stressed situation.

The asset encumbrance ratio is calculated as follows:

$$\text{AE ratio} = \frac{\text{Total assets "encumbered" + Total collateral received, reused}}{\text{Total assets + Total collateral received}}$$

Analysis of the balance sheet structure
As at 31 December 2021, Dexia's consolidated ratio of encumbered assets to balance-sheet assets stood at 42.67%, 42.72% as at 31 December 2020.

The total amount of encumbered assets and encumbered collateral received amounted to EUR 42.46 billion, mainly composed of:
- EUR 15.60 billion of debt securities, including EUR 11 billion of securities issued by public administrations;
- EUR 26.85 billion of loans and advances other than demand loans.

Dexia mobilises its assets and securities in order to obtain funding and to carry out repurchase agreements and derivatives transactions.

As at 31 December 2021, Dexia's consolidated assets were mobilised as follows:
- EUR 26 billion of collateral on interest rate derivatives;
- EUR 15 billion of deposits, of which EUR 10 billion of repurchase agreements;
- EUR 5 billion of collateralised deposits other than repurchase agreements.

11. Interest-rate risk on the banking book (IRRBB)

At a Dexia Group level, the risk appetite is defined to first minimise the Net Interest Income (NII) volatility and in the second extend to preserve economic value. Risk appetite is also set according to the IR structural risk prevailing at Dexia, constituted of IR exposure stemming from stable free equity modelling or macro-hedging of desensitisation operations.

Risk framework has been built in line with the above management principles. The related set of limits also allows for compliance with the regulatory framework. Interest rate strategy is monitored by the ALCO every month and governed by the risk appetite framework.

Interest rate shock and stress scenarios used to estimate changes in the economic value and in NII are those defined by the Basel Committee and disclosed by EBA (GL 2018-02).

Given the specific situation of Dexia as a group in orderly resolution, there are no specific behavioral models identified in a regulatory sense and no specific underlying assumptions.

The behavioral option risk related to sight deposits is not material at Dexia Group level, with regard to their outstanding amount (less than 0.5% of the total funding amount). It is to be noted that option risk is systematically hedged from an interest-rate standpoint.

The table below presents the sensitivity of the economic value and the net interest income to the six interest-rate shock scenarios as defined by the Basel Committee.

		Changes of the economic value of equity		Changes of the net interest income*	
Supervisory shock scenarios		31/12/2021	31/12/2020	31/12/2021	31/12/2020
1	Parallel up	(421.4)	(327.9)	38	50.9
2	Parallel down	94.4	21.3	(38)	(50.9)
3	Steepener	(121.7)	(115)		
4	Flattener	31.9	17		
5	Short rates up	(73.6)	(32.3)		
6	Short rates down	38.4	19.9		

** The parallel shocks applied to Net Interest Income are +/-100 bps in accordance with internal monitoring reference (ALCO committee)*

The sensitivity of the economic value of equity to the parallel down scenario (200 basis points shocks) remains far below the Tier 1 limit of 15%. As at 31 December 2021, the worst IRRBB scenario (parallel down) represented 44% of Dexia Tier 1 capital.

12. Operational risk

12.1. Operational management

12.1.1. Structure and organisation of the operational risk management function

The operational risk management framework at Dexia is set up in accordance with the 'principles for the sound management of operational risk', published by the Basel Committee on Banking Supervision and is integrated in the overall risk management process of the bank. In line with the Basel Committee definition, operational risk represents the risk of financial or non-financial impact arising from a shortcoming or failure in internal processes, people, systems, or from external factors. The scope of operational risk includes fraud, compliance, legal, outsourcing or model risks but excludes strategic risk.

The operational risk management policy at Dexia is meant to: i) regularly identify assess and monitor the operational risks and attached controls ii) ensure that corrective or mitigation actions are taken when there is no risk acceptance of a deficient situation. The operational risk management policy is supplemented by a prevention policy covering in particular information system security, business continuity and, when necessary, operational risks transfer via insurance.

The Standard Approach is applied for the calculation of capital according to the regulation, based on net banking income positive run rate 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.

Following this approach, operational risk-weighted assets were set, as at 31 December 2021, at EUR 1 billion at Dexia Group consolidated level, including the conservative buffer.

Operational risk, Information Systems Security and Business Continuity management is coordinated by a central team within the Risk activity line supported by a network of correspondents within all subsidiaries and branches, as well as within the Group's various departments. Operational risk correspondents coordinate data collection and participate to the risk self-assessments, supported by the central operational risk management function, ensuring sound continuity management. It is to be noted that training sessions to appraise operational risk stakes have been organised in 2021 by the operational risk function in order to increase operational risk correspondents awareness.

The Management Board monitors the evolution of the risk profile of the various Group activities and delegates the operational management of risk monitoring to committees dedicated to operational risk. These committees examine, for a specific perimeter, the main risk identified, decide upon the corrective actions to be taken and validate measurement, prevention or improvement proposals. There is also a committee dedicated to Information Systems Security and Business Continuity which examines and decides upon actions to be taken to guarantee the implementation of the policy and related guidelines for information systems security and business continuity.

12.1.2. Risk measurement and control

The operational risk management relies on the following key components:
- Collection and analysis of operational incidents: systematic capture and monitoring of operational incidents;
- Risk control and self-assessment (RCSA) covering Dexia's head office and international entities, back-office and IT activities outsourced to Dexia's main provider, activities entrusted to critical or important providers;
- Definition and monitoring of action plans: actions are defined in response to major incidents, deficient controls or important risks identified.

12.1.3. Operational risk reporting

Key reporting includes:
- The Quarterly Risk Report (QRR): the operational risk section of the QRR provides Management Board with some relevant management information about the evolution of the operational risk.
- The Operational Continuity Report intended to the Management Board is jointly produced by Project Management and Operational Risk Management (ORM) teams on a quarterly basis. It includes the KRIs designed to monitor the main risks linked to Dexia's resolution (IT, HR and outsourcing risks), the status of key remedial actions put in place to bring operational risks down and state of play of key operational continuity and transformation projects, in particular projects launched to bring operational risks down.

12.1.4. Policies for hedging and mitigating operational risk

Key documents include the ORM global policy and the RCSA Directive.

12.1.5. Disclosure of the approaches for the assessment of minimum own funds requirements

Operational risk-weighted assets are determined following steps:
- Dexia uses the standard methodology for the calculation of the capital requirement. With this standard method, the bank's capital requirement for operational risks is calculated using the formula: $K = \sum i (GI\ i^* \ ßi)$. The Gross Income (GI) is the positive average Gross Income of the last 3 years, and in case of years with negative gross income, the value 0 is taken. The activities are divided into 8 business lines, and for each one a multiplier (ß) is applied, which is defined according to the Basel regulations.
- The average of the 3 years is used to calculate the capital requirement with the following formula: capital requirement = (Y1+Y2+Y3)/3.
- With the standard method, the operational risk-weighted assets are calculated, by multiplying the capital requirement by 12.5 based on the Basel prudential requirement of 8% [regulatory capital = risk-weighted assets (RWA) * 8%]. It follows that RWA = capital requirement * 12.5.
- The last step consists in calculating the additional capital needed to reach the EUR 1 billion floor. To do this, the differential necessary to reach the EUR 1 billion from the calculated RWA is calculated, using the following formula: Overlay = 1,000,000 - RWA.

As at 31 December 2021, the floor for the operational risk-weighted assets was set at EUR 1 billion at Dexia consolidated level.

12.2. EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

		Relevant indicator			Own funds requirements	Risk exposure amount
	(in EUR million)	2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)	0	0	0	0	0
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	(17)	1	27	2	25
3	Subject to TSA:	(17)	1	27	0	0
4	Subject to ASA:	0	0	0	0	0
5	Banking activities subject to advanced measurement approaches AMA	31	0	0	0	0

13. Remuneration policies and practices

13.1. Remuneration policy

<table>
<tr><td rowspan="5">(a)</td><td colspan="2">Information relating to the bodies that oversee remuneration. Disclosures shall include:</td></tr>
<tr><td>Name, composition and mandate of the main body (management body or remuneration committee as applicable) overseeing the remuneration policy and the number of meetings held by that main body during the financial year.</td><td>Management body: Pierre CREVITS: Managing Direction and head of the Management Committee / Giovanni ALBANESE: Head of Risk / Benoît DEBROISE: Head of Funding & Markets / Guy COOLS: Head of Assets (leaving date 30/11/2021) / Pascal GILLIARD: Head of Assets (Start date 01/10/2021), member of the Management Committee since 01/12/2021 / Véronique HUGUES: Head of Finance / Patrick RENOUVIN: COO
Remuneration Committee: Gilles DENOYEL / Alexandre DE GEEST / Michel TISON (President) / Claire VERNET-GARNIER
The Remuneration Committee met four times.</td></tr>
<tr><td>External consultants whose advice has been sought, the body by which they were commissioned, and in which areas of the remuneration framework.</td><td>NA</td></tr>
<tr><td>A description of the scope of the institution’s remuneration policy (eg by regions, business lines), including the extent to which it is applicable to subsidiaries and branches located in third countries.</td><td>The institution’s remuneration policy applies to the overall Group</td></tr>
<tr><td>A description of the staff or categories of staff whose professional activities have a material impact on institutions’ risk profile.</td><td>• Category 1: the members of the Management Board & the Dexia SA Group Committee and the members of the Management Board of the international entities;
• Category 2: persons exercising an independent control function, i.e. the heads of the Audit, Compliance and Risk divisions or whose professional activities are considered to have a significant impact on the risk profile of the Dexia Group, i.e. the heads of the Human Resources and Finance divisions. The majority of this population belongs to the category 1.
• Category 3: any staff member who, on the basis of his or her income, is in a salary bracket greater than or equal 500 000 € or greater than or equal to the average salary received by the members of the Management Board. Moreover the staff member has an activity on an important business area and these activites can have an impact on the bank’s risk profile.
• Category 4: the members of the Board of Directors (non executive directors).</td></tr>
<tr><td rowspan="2">(b)</td><td colspan="2">Information relating to the design and structure of the remuneration system for identified staff. Disclosures shall include:</td></tr>
<tr><td>An overview of the key features and objectives of remuneration policy, and information about the decision-making process used for determining the remuneration policy and the role of the relevant stakeholders.</td><td>Since 2015, in order to take account of the transposition into Belgian law and French law of the European Banking Directive CRD IV was split the Appointment and Remuneration Committee into an Appointment Committee on the one hand and a Remuneration Committee on the other hand, both also competent for Dexia and Dexia Crédit Local.
In accordance with Article 526quater of the Companies Code and Article 27 of the Banking Law , the Remuneration Committee is composed of four non-executive directors, and a majority of independent directors (including the Chairman of the Board of Directors). The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The members of the Appointment Committee are invited to attend meetings of the Remuneration Committee.
Members of the Board of Directors are appointed for a maximum term of office of four years. Board members can be re-elected.
The Board ensures that the principles of good governance are observed. In particular, the Board of Directors sets the remuneration for Management Board members on the recommendation of the Remuneration Committee.
The Remuneration Committee prepares decisions of the Board of Directors on the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the members of the Management Board.
The Remuneration Committee passes an opinion on the Dexia Remuneration Policy and any amendments made to it. It prepares decisions on remuneration and, in particular, those which might have repercussions on risk and risk management. It also prepares and supervises decisions relating to the remuneration of people in charge of independent control functions.
The Remuneration Committee meets at least twice per year, including in principle at least once prior to the meeting of the Board of Directors validating the management report for the financial year.</td></tr>
</table>

(b)	Information on the criteria used for performance measurement and ex ante and ex post risk adjustment.	The link between the variable compensation and employee performance is assessed with regard to former targets and subsequent expected results based on the activity carried out in the past. Subsequently, the targets cascaded down to lower levels of the organisation will take into account the risk factors specific to the activity line concerned. When monitoring performance, targets that are specifically risk-oriented will be subject to the same monitoring as other performance targets. Taking the ratios set out above into account, the variable compensation paid to an employee will not be subject of payment spread over several years. Nevertheless, the company reserves the right to apply the clawback mechanism in specific cases. All groups which receive variable compensation are assessed on the basis of quantitative and qualitative, and non-financial criteria.
	Whether the management body or the remuneration committee where established reviewed the institution's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.	Dexia modified its compensation policy in December 2021 in order to take into account the commitments made by the Belgian and French states regarding compensation during their discussion with the European Commission and the European Banking Directive 2019/978 ("CRD V").
	Information of how the institution ensures that staff in internal control functions are remunerated independently of the businesses they oversee.	The Chief Risk Officer (member of the Management Committee) and the Auditor General don't receive variable compensation. Common objectives are defined for all operational risk & permanent control correspondents in the business lines. They are defined annually by the management of operational risks & permanent control. Finally, two profit-sharing indicators within DCL concern the closure of audit recommendations and the monitoring of permanent controls. Its objectives relate to supporting management and the sectors in terms of compliance, employee training and the deployment of the culture of compliance within the group. The variable remuneration of the Chief Compliance Officer represents, in 2021, 12% of her fixed compensation. In addition, her total compensation is between the 40th and 50th rank of head office compensation.
	Policies and criteria applied for the award of guaranteed variable remuneration and severance payments.	If an agreement in relation to the grant of severance payments is concluded with a member of the Management Board, the total payments made to the latter (including non-competition payments, remuneration paid during periods of notice and compensation in lieu of notice) will not exceed 9 months of remuneration. In specific circumstances as provided by the relevant legislation, Dexia may grant higher severance pay if the person concerned, prior to the granting of the director's mandate, in accordance with the contractual framework in force and on the basis of his seniority accumulated within the Dexia Group, would have been entitled, in the event of dismissal, to compensation in excess of the aforementioned severance pay, up to the maximum amount of the termination indemnity. Moreover, the agreement providing for severance pay to be awarded will contain a performance condition in the sense that the contractual severance payment will be reduced in the case where the assessment of the executive's performance over the two years preceding the termination of the agreement reveals a significant deterioration in those performances. This is intended to avoid severance pay rewarding a failure. These principles will be applied without prejudice to existing contractual provisions in accordance with legal provisions and with collective bargaining agreements.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures shall include an overview of the key risks, their measurement and how these measures affect remuneration.	Basic compensation is determined considering the nature and importance of the responsibilities assumed by each staff member (and taking into account the market benchmarks for comparable functions). As a result, in accordance with guidelines about sound remuneration practices, the Board is increasing the compensation not linked to performance which must be a significant proportion of the entire compensation. Dexia Remuneration Policy will be reviewed regularly in order particularly to take account of the evolution of applicable laws and regulations. The Board of Directors decided to reduce the variable compensation dependent on the performance in order to reduce the potential incentive to take excessive risks. As a consequence, the Board decided to grant a lump sum, not affected by performance. All variable compensation is influenced by the company's situation and may fluctuate in function of the results of the Group, of the entity and the individual performance. Depending on the legal constraints and obligations, variable compensation may thus be reduced to nil. In order to discourage excessive risk-taking and to allow a sufficiently flexible policy of granting variable compensation, the maximum ratios for variable salary are 0.33 of the total yearly compensation and EUR 50,000 / year.
(d)	The ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) CRD.	the maximum ratios for variable salary are 0.33 of the total yearly compensation and EUR 50,000 / year.

(e)	Description of the ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration. Disclosures shall include:	NA
	An overview of main performance criteria and metrics for institution, business lines and individuals.	
	An overview of how amounts of individual variable remuneration are linked to institution-wide and individual performance.	
	Information on the criteria used to determine the balance between different types of instruments awarded including shares, equivalent ownership interest, options and other instruments.	
	Information of the measures the institution will implement to adjust variable remuneration in the event that performance metrics are weak, including the institution's criteria for determining "weak" performance metrics.	
(f)	Description of the ways in which the institution seeks to adjust remuneration to take account of longterm performance. Disclosures shall include:	NA
	An overview of the institution's policy on deferral, payout in instrument, retention periods and vesting of variable remuneration including where it is different among staff or categories of staff.	
	Information of the institution' criteria for ex post adjustments (malus during deferral and clawback after vesting, if permitted by national law).	
	Where applicable, shareholding requirements that may be imposed on identified staff.	
(g)	The description of the main parameters and rationale for any variable components scheme and any other non-cash benefit in accordance with point (f) of Article 450(1) CRR. Disclosures shall include:	NA
	Information on the specific performance indicators used to determine the variable components of remuneration and the criteria used to determine the balance between different types of instruments awarded, including shares, equivalent ownership interests, share-linked instruments, equivalent non cash-instruments, options and other instruments.	
(h)	Upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.	NA
(i)	Information on whether the institution benefits from a derogation laid down in Article 94(3) CRD in accordance with point (k) of Article 450(1) CRR.	NA
	For the purposes of this point, institutions that benefit from such a derogation shall indicate whether this is on the basis of point (a) and/or point (b) of Article 94(3) CRD. They shall also indicate for which of the remuneration principles they apply the derogation(s), the number of staff members that benefit from the derogation(s) and their total remuneration, split into fixed and variable remuneration.	
(j)	Large institutions shall disclose the quantitative information on the remuneration of their collective management body, differentiating between executive and non-executive members in accordance with Article 450(2) CRR.	Refer to the compensation report section included in the annual report.

13.2. Quantitative information

For confidentiality reasons, Dexia do not display the data for the sections where the number of employees is less than 6 (excluding management board).

13.2.1. EU REM1 - Remuneration awarded for the financial year

(in EUR million)			Management Board (Supervisory function)	Management Board (Management function)	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	3	4	3	15
2		Total fixed remuneration	1.5	1.5		2.7
3		*Of which: cash-based*	*1.5*	*1.5*		*2.7*
EU-4a		*Of which: shares or equivalent ownership interests*	*0*	*0*		-
5		*Of which: share-linked instruments or equivalent non-cash instruments*	*0*	*0*		-
EU-5x		*Of which: other instruments*	*0*	*0*		-
7		*Of which: other forms*	*0*	*0*		-
9	Variable remuneration	Number of identified staff	3	4		15
10		Total variable remuneration	0	0		0.4
11		*Of which: cash-based*	*0*	*0*		*0.4*
12		*Of which: deferred*	*0*	*0*		-
EU-13a		*Of which: shares or equivalent ownership interests*	*0*	*0*		-
EU-14a		*Of which: deferred*	*0*	*0*		-
EU-13b		*Of which: share-linked instruments or equivalent non-cash instruments*	*0*	*0*		-
EU-14b		*Of which: deferred*	*0*	*0*		-
EU-14x		*Of which: other instruments*	*0*	*0*		-
EU-14y		*Of which: deferred*	*0*	*0*		-
15		*Of which: other forms*	*0*	*0*		-
16		*Of which: deferred*	*0*	*0*		-
17	**TOTAL REMUNERATION (2 + 10)**		**1.5**	**1.5**		**3.1**

13.2.2. EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
2	Guaranteed variable remuneration awards - Total amount	0	0	0	0
3	*Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap*	*0*	*0*	*0*	*0*
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	0	0	0	0
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff	0	1	0	1
7	Severance payments awarded during the financial year - Total amount	0	1.6	0	0.4
8	*Of which paid during the financial year*	*0*	*1.6*	*0*	*0.4*
9	*Of which deferred*	*0*	-	*0*	*0*
10	*Of which severance payments paid during the financial year, that are not taken into account in the bonus cap*	*0*	-	*0*	*0*
11	*Of which highest payment that has been awarded to a single person*	*0*	*1.6*	*0*	*0.4*

13.2.3. EU REM3 - Deferred remuneration

Not applicable for Dexia.

13.2.4. EU REM4 - Remuneration of EUR 1 million or more per year

Not applicable for Dexia.

13.2.5. EU REM5 - Information on remuneration of staff whose professional activities have a material impact on the institution's risk profile (identified staff)

	Management body remuneration			Business areas						
	MB Supervisory function	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
TOTAL NUMBER OF IDENTIFIED STAFF										
Of which: members of the MB	*3*	*4*	*7*							
Of which: other senior management						*0*	*2*	*1*	*0*	
Of which: other identified staff						*2*	*0*	*6*	*7*	
TOTAL REMUNERATION OF IDENTIFIED STAFF	**1.5**	**1.5**	**0**					**1.5**	**1.6**	
Of which: variable remuneration	0	0	0					0.1	0.2	
Of which: fixed remuneration	1.5	1.5	0					1.4	1.4	

Annex 1: Mapping table

Name of annex	Relevant article in crr	Template	Frequency large institutions (listed)	Location DSA Pilar 3 Report
Disclosure of key metrics and overview of risk-weighted exposure amounts	Points (a) to (g) of Article 447 and point (b) of Article 438	EU KM1 - Key metrics template	Quarterly	3. Dexia's Key Figures and Risk Profile
		EU KM1 Bis	Quarterly	
Disclosure of key metrics and overview of risk-weighted exposure amounts	Point (d) of Article 438	EU OV1 - Overview of risk weighted exposure amounts	Quarterly	3. Dexia's Key Figures and Risk Profile
Disclosure of own funds	Points (a), (d), (e) and (f) of Article 437	EU CC1 - Composition of regulatory own funds	Semi-annual	4. Own funds
Disclosure of own funds	Point (a) of Article 437	EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements	Semi-annual	4. Own funds
Disclosure of countercyclical capital buffers	Point (a) of Article 440	EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer	Semi-annual	4.8 Countercyclical capital buffers
Disclosure of countercyclical capital buffers	Point (a) of Article 440	EU CCyB2 - Amount of institution-specific countercyclical capital buffer	Semi-annual	4.8 Countercyclical capital buffers
Disclosure of the leverage ratio	Point (b) of Article 451(1)	EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	Semi-annual	6. Leverage ratio
Disclosure of the leverage ratio	Article 451(3) - Rows 28 to 31a Points (a), (b) and (c) of Article 451(1) and Article 451(2) - Rows up to row 28	EU LR2 - LRCom: Leverage ratio common disclosure	Semi-annual	6. Leverage ratio
Disclosure of the leverage ratio	Point (b) of Article 451(1)	EU LR3 - LRSpl: Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	Semi-annual	6. Leverage ratio
Disclosure of credit risk quality	Point (c) of Article 442	EU CQ1: Credit quality of forborne exposures	Semi-annual	7.3. Credit risk exposure
Disclosure of credit risk quality	Points (c) and (e) of Article 442	EU CQ4: Quality of non-performing exposures by geography	Semi-annual	7.3. Credit risk exposure
Disclosure of credit risk quality	Points (c) and (e) of Article 442	EU CQ5: Credit quality of loans and advances by industry	Semi-annual	7.3. Credit risk exposure
Disclosure of credit risk quality	Point (c) of Article 442	EU CQ7: Collateral obtained by taking possession and execution processes	Semi-annual	7.3. Credit risk exposure
Disclosure of credit risk quality	Point (g) of Article 442	EU CR1: Performing and non-performing exposures and related provisions	Semi-annual	7.3. Credit risk exposure
Disclosure of the use of standardised approach	Points (g), (h) and (i) of Article 453 CRR and point (e) of Article 444	EU CR4 – standardised approach – Credit risk exposure and CRM effects	Semi-annual	7.5. Standard approach

Name of annex	Relevant article in crr	Template	Frequency large institutions (listed)	Location DSA Pilar 3 Report
Disclosure of the use of standardised approach	Point (e) of Article 444	EU CR5 – standardised approach	Semi-annual	7.5. Standard approach (dur to technicat issue, the column "of which unrated" is not filled)
Disclosure of the use of credit risk mitigation techniques	Point (f) of Article 453	EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Semi-annual	7.6. Credit risk mitigation techniques
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR1 – Analysis of CCR exposure by approach	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR2 – Transactions subject to own funds requirements for CVA risk	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR5 – Composition of collateral for CCR exposures	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR6 – Credit derivatives exposures	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR8 – Exposures to CCPs	Semi-annual	7.7. Counterparty credit risk
Disclosure of exposures to securitisation positions	Points (a) to (i) of Article 449	EU-SEC1 - Securitisation exposures in the non-trading book	Semi-annual	7.8. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Points (a) to (i) of Article 449	EU-SEC2 - Securitisation exposures in the trading book	Semi-annual	7.8. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Points (a) to (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	Semi-annual	7.8. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Points (a) to (i) of Article 449	EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor	Semi-annual	7.8. Focus on securitisation activities
Disclosure of exposures to securitisation positions	Points (a) to (i) of Article 449	EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Semi-annual	7.8. 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	Semi-annual	8. 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)	Semi-annual	8. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Point (e) of Article 455	EU MR2-B - RWA flow statements of market risk exposures under the IMA	Quarterly	8. 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	Semi-annual	8. 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	Semi-annual	8. Market risk
Disclosure of liquidity requirements	Articles 435(1) and 451a(4)	EU LIQ1 - Quantitative information of LCR	Quarterly	9. Liquidity requirements

Name of annex	Relevant article in crr	Template	Frequency large institutions (listed)	Location DSA Pilar 3 Report
Disclosure of liquidity requirements	Articles 435(1) and 451a(4)	EU LIQB on qualitative information on LCR, which complements template EU LIQ1	Quarterly	9. Liquidity requirements
Disclosure of liquidity requirements	Articles 435(1) and 451a(4)	EU LIQ2: Net Stable Funding Ratio	Semi-annual	9. Liquidity requirements
Disclosure of information on exposures to interest rate risk on positions not held in the trading book	N/A	EU IRRBB1 - Interest rate risks of non-trading book activities	Semi-annual	11. Interest rate risk on the banking book (IRRBB)
Disclosure of credit risk quality	Point (g) of Article 442	EU CR1-A: Maturity of exposures	Semi-annual	7.3. Credit risk exposure
Disclosure of credit risk quality	Point (f) of Article 442	EU CR2: Changes in the stock of non-performing loans and advances	Semi-annual	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 these templates are not applicable.
Disclosure of credit risk quality	Point (f) of Article 442	EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Semi-annual	
Disclosure of credit risk quality	Point (c) of Article 442	EU CQ2: Quality of forbearance	Semi-annual	
Disclosure of credit risk quality	Point (c) of Article 442	EU CQ6: Collateral valuation - loans and advances	Semi-annual	
Disclosure of credit risk quality	Point (c) of Article 442	EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	Semi-annual	
Disclosure of key metrics and overview of risk-weighted exposure amounts	Points (a) and (c) of Article 438	EU OVC - ICAAP information	Annual	5. Capital adequacy
Disclosure of risk management policies and objectives	Article 435 (1)	EU OVA - Institution risk management approach	Annual	2. Risk Management objectives and policies
Disclosure of risk management policies and objectives	Article 435 (1)	EU OVB - Disclosure on governance arrangements	Annual	2. Risk Management objectives and policies
Disclosure of the scope of application	Point (c) of Article 436	EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Annual	4. Own funds
Disclosure of the scope of application	Point (b) of Article 436	EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)	Annual	4. Own funds
Disclosure of the scope of application	Point (d) of Article 436	EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Annual	4. Own funds
Disclosure of the scope of application	Point (b) of Article 436	EU LIA - Explanations of differences between accounting and regulatory exposure amounts	Annual	4. Own funds
Disclosure of the scope of application	Point (e) of Article 436	EU PV1: Prudent valuation adjustments (PVA)	Annual	4. Own funds
Disclosure of the scope of application	Points (f), (g) and (h) of Article 436	EU LIB - Other qualitative information on the scope of application	Annual	4. Own funds

Name of annex	Relevant article in crr	Template	Frequency large institutions (listed)	Location DSA Pilar 3 Report
Disclosure of own funds	Points (b) and (c) of Article 437	EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments	Annual	4. Own funds
Disclosure of the leverage ratio	Points (d) and (e) of Article 451(1)	EU LRA: Free format text boxes for disclosure on qualitative items	Annual	6. Leverage ratio
Disclosure of liquidity requirements	Articles 435(1) and 451a(4)	EU LIQA - Liquidity risk management	Annual	9. Liquidity requirements
Disclosure of credit risk quality	Points (a), (b), (d) and (f) of Article 435(1)	EU CRA: General qualitative information about credit risk	Annual	7. Credit risk
Disclosure of credit risk quality	Points (a) and (b) of Article 442	EU CRB: Additional disclosure related to the credit quality of assets	Annual	7. Credit risk
Disclosure of credit risk quality	Points (c) and (d) of Article 442	EU CQ3: Credit quality of performing and non-performing exposures by past due days	Annual	7.3 Credit risk exposure
Disclosure of the use of credit risk mitigation techniques	Points (a) to (e) of Article 453	EU CRC – Qualitative disclosure requirements related to CRM techniques	Annual	7.6 Credit risk mitigation techniques
Disclosure of the use of standardised approach	Points (a) to (d) of Article 444	EU CRD – Qualitative disclosure requirements related to standardised model	Annual	7.5 Standard approach
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCRA – Qualitative disclosure related to CCR	Annual	7.7 Counterparty credit risk
Disclosure of exposures to securitisation positions	Points (a) to (i) of Article 449	EU-SECA - Qualitative disclosure requirements related to securitisation exposures	Annual	7.8 Focus on securitisation activities
Disclosure of the use of standardised approach and internal model for market risk	Points (a) to (d) of Article 435 (1)	EU MRA: Qualitative disclosure requirements related to market risk	Annual	8. Market risk
Disclosure of the use of standardised approach and internal model for market risk	Points (a), (b), (c), (f) of Article 455	EU MRB: Qualitative disclosure requirements for institutions using the internal Market Risk Models	Annual	8. Market risk
Disclosure of operational risk	Articles 435(1), 446 and 454	EU ORA - Qualitative information on operational risk	Annual	12. Operational risk
Disclosure of operational risk	Articles 446 and 454	EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts	Annual	12. Operational risk
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REMA - Remuneration policy	Annual	13. Remuneration policies and practices
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REM1 - Remuneration awarded for the financial year	Annual	13. Remuneration policies and practices
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	13. Remuneration policies and practices
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REM3 - Deferred remuneration	Annual	13. Remuneration policies and practices
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REM4 - Remuneration of 1 million EUR or more per year	Annual	13. Remuneration policies and practices

Name of annex	Relevant article in crr	Template	Frequency large institutions (listed)	Location DSA Pilar 3 Report
Disclosure of remuneration policy	Points (a), (b), (c), (d), (e), (f), (j) and (k) of Article 450(1) and Article 450(2)	EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Annual	13 Remuneration policies and practices
Disclosure of encumbered and unencumbered assets	Article 443	EU AE1 - Encumbered and unencumbered assets	Annual	10 Asset encumbrance
Disclosure of encumbered and unencumbered assets	Article 443	EU AE2 - Collateral received and own debt securities issued	Annual	10 Asset encumbrance
Disclosure of encumbered and unencumbered assets	Article 443	EU AE3 - Sources of encumbrance	Annual	10 Asset encumbrance
Disclosure of encumbered and unencumbered assets	Article 443	EU AE4 - Accompanying narrative information	Annual	10 Asset encumbrance
Disclosure of the use of the IRB approach to credit risk	Point (b) of Article 452	EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range	Semi-annual	not applicable to Dexia
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	Semi-annual	
Disclosure of the use of the IRB approach to credit risk	Point (j) of Article 453	EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques	Semi-annual	
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 (g) of Article 442	EU CR10 – Specialised lending and equity exposures under the simple riskweighted approach	Semi-annual	
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR4 – IRB approach – CCR exposures by exposure class and PD scale	Semi-annual	
Disclosure of exposures to counterparty credit risk	Points (a) to (d) and last paragraph of Article 439	EU CCR7 – RWEA flow statements of CCR exposures under the IMM	Quarterly	
Disclosure of the use of the IRB approach to credit risk	Points (a) to (f) of Article 452	EU CRE – Qualitative disclosure requirements related to IRB approach	Annual	
Disclosure of the use of the IRB approach to credit risk	Point (b) of Article 452	EU CR6-A – Scope of the use of IRB and SA approaches	Annual	
Disclosure of the use of the IRB approach to credit risk	Point (h) of Article 452	EU CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale)	Annual	
Disclosure of the use of the IRB approach to credit risk	Point (h) of Article 452	EU CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)	Annual	
Disclosure of key metrics and overview of risk-weighted exposure amounts	Point (f) of Article 438	EU INS1 - Insurance participations	Annual	
Disclosure of key metrics and overview of risk-weighted exposure amounts	Point (f) of Article 438	EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio	Annual	

Annex 2: Dexia's Management Board