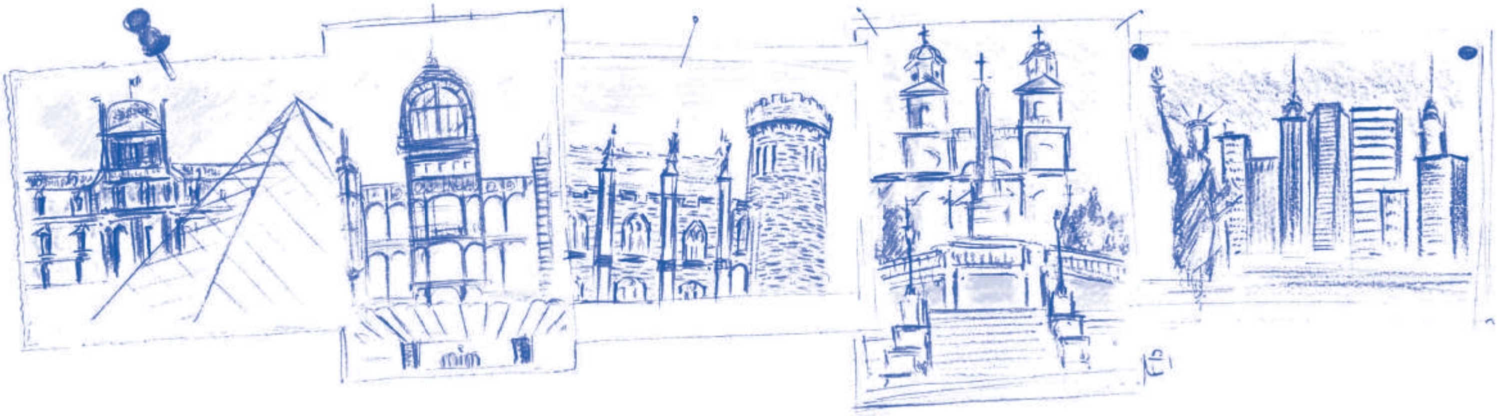
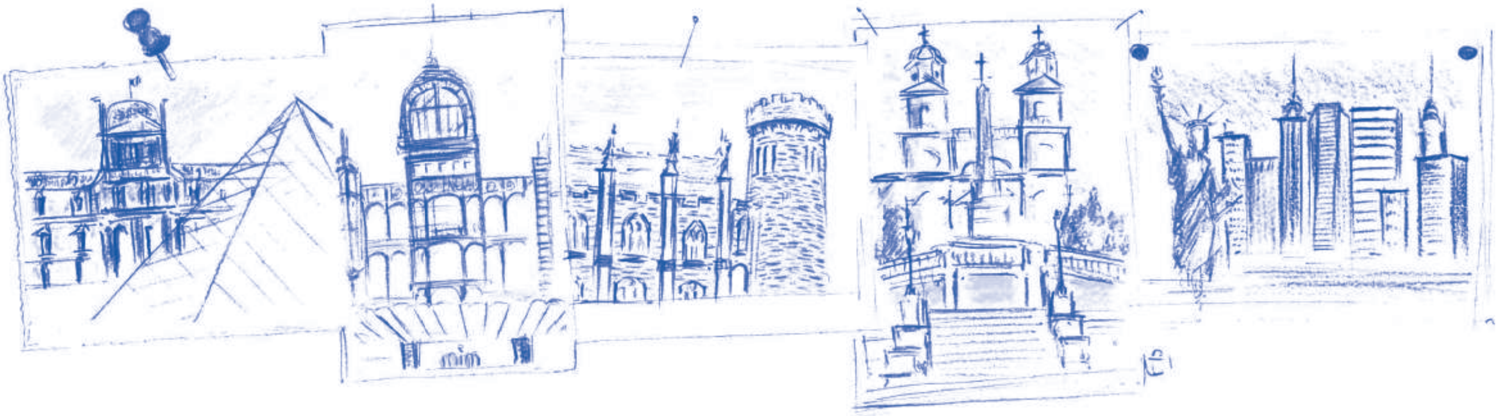
2019

ANNUAL REPORT

DEXIA



Annual report 2019



Management report

Message from the chairmen

2019 will have been another year of strong macroeconomic uncertainty: the Sino-American trade war, the Brexit issue, and the slowdown in world growth induced in particular by China's slowdown, will all have been factors of fragility, despite the support provided to the economic situation by persistently negative interest rates and the good health of the equity market.

Throughout the past year, we continued to roll out our strategic roadmap and took further steps towards the Group's resolution by accelerating our efforts to reduce our portfolios, in particular through the implementation of two ambitious asset disposal programmes. We reduced our balance sheet total by 24% to EUR 120 billion and saw our asset portfolios fall below EUR 50 billion. Thus, in a favourable market dynamic and in order to reduce the operational risk linked to the transfer of the Group's US assets to the Dexia Crédit Local head office, the Group sold its entire student loan ABS portfolio and assets related to the US public sector. The portfolio is now equally composed of loans and bonds and is mainly focused on Italian sovereign and European public sector (Italy, France, Spain, Portugal), with a residual concentration of Japanese and British assets.

Our efforts also focused on reducing our geographic footprint: we finalised the sale of our German subsidiary Dexia Kommunalbank Deutschland to Helaba, closed our Madrid branch and began the transformation of our New York branch.

Other highlights of the past year included the Belgian and French States reaffirming their support for the Group by finalising the steps with a view to the prolongation of the funding guarantee beyond 31 December 2021 and, in September, the European Commission confirmed its agreement to the extension of this guarantee. In addition, the Dexia share was delisted from Euronext Brussels on 2 December 2019, enabling the Group to continue its administrative simplification.

The first months of this year were in line with 2019. We continued the transformation of our New York branch into a representative office, which should be concluded in the course of the year, and began a reflection on the evolution of Dexia Crediop within the context of the Group's resolution.

At the time of closing this annual report, it is too early precisely to assess the long-term economic effects and draw up a definitive health assessment of the Covid-19 pandemic which is raging throughout the world, even if the consequences of the epidemic are already being painfully felt in many countries.

Our first objective, in this unprecedented situation, was to protect the health of our staff members and ensure the operational continuity of the Group. Dexia staff members mobilised in the face of adversity. Their sustained commitment and their reactivity enabled the Group, in the space of only a few days, to move to a level of 100% teleworking, demonstrating once again the resilience of our teams.

It is natural to wonder about the impact of this major crisis on the Dexia Group. Our liquidity situation is entirely satisfactory, with a liquidity buffer close to EUR 20 billion as at 31 December 2019 and a continued active presence on various markets. It is too early to assess the full impact of the crisis for Dexia, but the strength of the Group's capital base and the intrinsic quality of its asset portfolio, 90% of which is rated investment grade, make us confident in its ability to continue its orderly resolution.

We are well aware that the implementation of this complex resolution in a situation of great economic uncertainty is only made possible, day after day, year after year, thanks to the unfailing commitment and responsiveness of the Group's staff members. We cannot thank them enough for their contribution.

Bart Bronselaer
Chief Executive Officer ad interim

Gilles Denoyel
Chairman of the Board of Directors

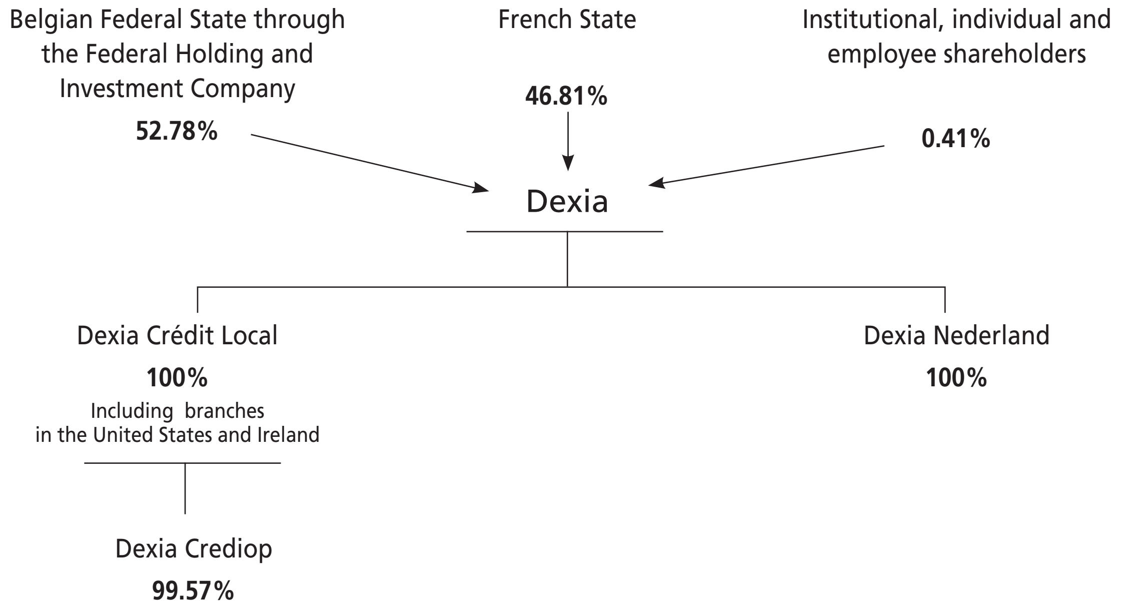
Group profile

A Group in orderly resolution

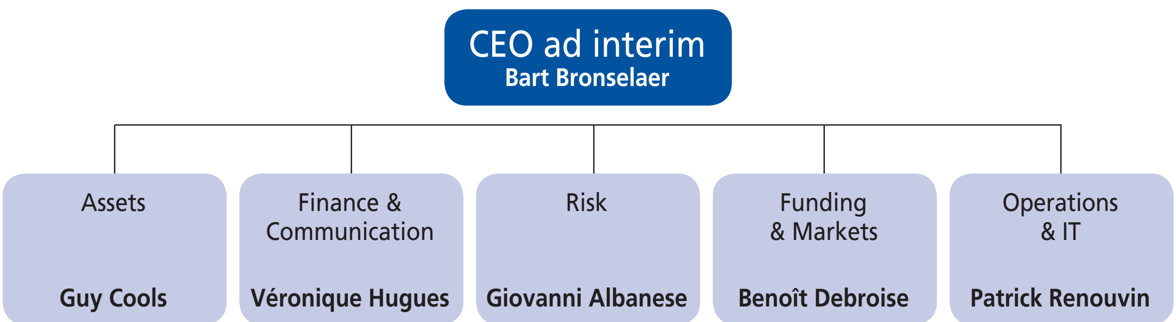
Dexia[1] is a European banking group managed under an orderly resolution plan since the end of 2011. The Belgian and French States own 99.6% of the Group[2].
Dexia's orderly resolution plan, which was approved by the European Commission in December 2012, aims to avoid the Group's bankruptcy and liquidation which, given the Group's residual size, could have been destabilising to the entire European banking sector.
As a significant bank[3], Dexia has been under the direct prudential supervision of the European Central Bank within the framework of the Single Supervisory Mechanism (SSM) since 4 November 2014.
Dexia, the Group's parent company, is a public limited company (*société anonyme*) and financial company governed by Belgian law. Dexia Crédit Local, the Group's main operating entity, is based in France and benefits from a funding guarantee, up to a maximum amount of EUR 85 billion, provided by the States of Belgium, France and Luxembourg, to allow for the execution of the orderly resolution plan. Dexia Crédit Local holds a banking licence and has an international presence through its Italian subsidiary, Dexia Crediop, which also holds a banking licence, and branches in Ireland and the United States. The Group has 606 staff members as at 31 December 2019.
Dexia no longer has any commercial activities and is now solely focused on managing its assets in run-off, mainly public sector and sovereign assets, while protecting the interests of the Group's State shareholders and guarantors. To meet this objective, the Group has established three strategic goals:
• Maintain the ability to refinance its balance sheet throughout its resolution plan;
• Preserve its capital base in order to comply with regulatory ratios;
• Ensure operational continuity by retaining the necessary expertise and resources and developing appropriate information systems.

(1) Throughout this annual report, Dexia refers to Dexia SA/NV and Dexia Crédit Local refers to Dexia Crédit Local S.A.
(2) In 2012 the Belgian and French States increased Dexia's capital with EUR 5.5 billion.
(3) Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014.

Simplified Group structure

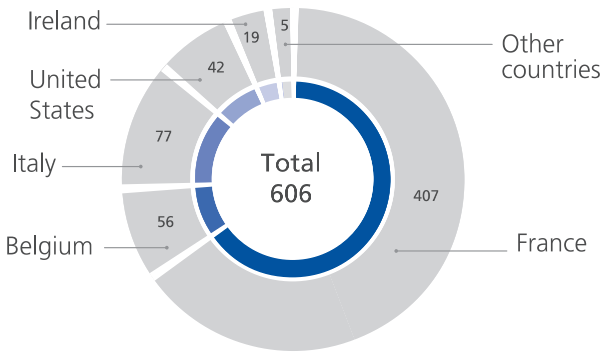


Management Board



Key figures

MEMBERS OF STAFF AS AT 31 DECEMBER 2019



RESULTS (in EUR million)	2018	2019
Net banking income	(232)	(746)
Costs	(386)	(379)
Gross operating income	(618)	(1,125)
Cost of risk	128	265
Result from discontinued operations, net of tax	23	(111)
Net income Group share	(473)	(898)

SOLVENCY (in EUR million)	31/12/2018	31/12/2019
Common Equity Tier 1	8,119	7,308
Total Capital	8,278	7,404
Risk-weighted assets	30,365	27,263
Common Equity Tier 1 ratio	26.7%	26.8%
Total Capital ratio	27.3%	27.2%

RATINGS AS AT 31 DECEMBER 2019	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
Moody's - Counterparty Risk (CR) Assessment	*Baa3(cr)*		*P-3(cr)*
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA-	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+

Highlights

Since its entry into orderly resolution, Dexia has been implementing a proactive strategy of reducing business and the Group's balance sheet through the sale of its commercial franchises and asset portfolios. The year 2019 represents an important stage in this dynamic, in particular because of the conclusion of the sale of Dexia Kommunalbank Deutschland (DKD), Dexia's subsidiary in Germany, the closure of DCL Madrid and the launch of the project to transform the US branch of Dexia Crédit Local (DCL New York) into a representative office. In addition, in May and July, the Group took structuring decisions on two new asset disposal programmes which contributed to a sharp reduction of the bank's balance sheet and liquidity requirements without deteriorating its solvency ratios. The Group took advantage of favourable market conditions, particularly in the United States, to implement this strategy, which will continue into 2020.

Reduction of the balance sheet and simplification of the Group structure

Reduction of the asset portfolios

At the end of December 2019, asset portfolios were down EUR 31 billion compared to the end of December 2018, of which EUR 14 billion related to the sale of DKD, EUR 14 billion to disposals and early redemptions and EUR 2 billion to natural amortisation. The share of assets denominated in non-euro currencies is significant and amounts to 76% of total sales for the year.
Within the framework of the DCL New York transformation project and in order to facilitate the transfer of the entity's balance sheet to Dexia Crédit Local's head office in Paris, the Board of Directors decided to dispose of a significant portfolio of assets held by that branch (cf. section "Simplification of the Group's international scope").
Furthermore, on 19 July 2019, the Board of Directors validated the implementation of a second asset sale programme, relating to nominal outstanding of EUR 10.4 billion. This programme takes place against a background of changing and strengthening regulatory requirements applicable to the Group and reflects a prudent approach to risk management. In particular, it targets sales, which will enable Dexia to reduce its exposure to currency liquidity risk, while preserving its solvency situation.
These two strategic decisions taken by the Board of Directors led to a change in the business model applicable to the selected portfolios. As a consequence, the assets concerned, which had been classified at amortised cost on first-time application of IFRS 9, were reclassified at fair value through profit or loss (FVP&L) or at fair value through equity (FVOCI) on 1 July 2019 for the asset portfolio recorded in DCL New York's balance sheet and on 1 January 2020 for the second portfolio.
During the year, in view of favourable market dynamics, Dexia sold EUR 7.7 billion of US assets. Assets sold include the remaining portfolio of ABS on student loans (EUR 1.1 billion) as well as public sector assets (EUR 5.1 billion). The entirety of the Group's exposure to the Chicago Board of Education was thus bought back or sold.
The Group also sold Japanese assets (EUR 1.4 billion), loans to French local authorities (EUR 0.6 billion) and loans to UK social housing (EUR 0.6 billion).
The planned disposals under these two programmes will ultimately reduce Dexia's risk exposure and balance sheet sensitivity, although in the meantime the reclassification of these assets at fair value exposes Dexia more than ever to changes in macroeconomic conditions. Moreover, the Board of Directors confirmed its intention to hold Dexia portfolios of residual assets until their maturity, portfolios to which a "Held to Collect" IFRS model will continue to apply.

Simplification of the Group's international scope

Following the restructuring undertaken in 2016 and the transfer of all assets to the head office of Dexia Crédit Local in Paris in 2018, i.e. 434 loans, Dexia proceeded with the transfer of the residual balance sheet (EUR 35 million, of which EUR 20 million of deferred tax assets) and the definitive closure of its Madrid branch on 29 March 2019, without impact on the Group's consolidated financial statements.
On 2 May 2019, after obtaining all the regulatory approvals, Dexia also concluded the sale of DKD to Helaba for a total amount of EUR 352 million, thus reducing its balance sheet total by EUR 24.4 billion. The net impact of the sale on Dexia's income statement, booked as at 30 June 2019, amounts to EUR -115 million. The impact on the Group's solvency ratios is slightly positive and amounts to +15 basis points.
Dexia Crédit Local has terminated the standby letters granted to DKD, with effect from the closing date of the sale. DKD now operates under the name of KOFIBA-Kommunalfinanzierungsbank GmbH.
Finally, after a study phase conducted in 2018, Dexia Crédit Local started, at the beginning of 2019, to implement the transformation of its New York branch. This project, which is part of the process of reducing the Group's geographic footprint and operational simplification, has three components:
• The transfer to the Dexia Crédit Local head office of the asset portfolios, funding and derivatives linked to these operations. This transfer was successfully completed in July and related to nominal assets of EUR 0.9 billion, consisting of

50 loans and one security. In October 2019 151 securities representing nominal outstanding of EUR 4.5 billion were transferred to Dexia Crédit Local, the operational risk having been reduced by the sales of US assets initiated in the second half of 2019;

- The centralisation of management processes in Paris and Dublin;
- The transformation, during the first half of 2020, of Dexia Crédit Local New York into a representative office. EUR 13 million of restructuring provisions were booked in 2019 to cover the costs related to this in-depth transformation of the Dexia Group's US activities.

Increase of the capital of Dexia Crediop

The end of the specific approach granted by the European Central Bank required a strengthening of the equity of Dexia Crediop, the Italian subsidiary of Dexia Crédit Local, due in particular to the obligation to respect the Liquidity Coverage Ratio (LCR), and resulted in the implementation of a new funding plan. In order to ensure compliance with the bank's solvency ratios, an Extraordinary Shareholders' Meeting of Dexia Crediop was held on 22 November 2019 and approved a capital increase of EUR 120 million consisting of the issue of 12 billion new ordinary shares without nominal value, at a subscription price per share of EUR 0.01.
As the minority shareholders of Dexia Crediop, Banco BPM SpA and BPER Banca SpA, did not wish to participate in this capital increase, Dexia Crédit Local subscribed to the entire amount, thus increasing its stake in Dexia Crediop from 70% to 99.57%.
The impact of this capital increase on the prudential equity of Dexia Crédit Local is negligible. On the other hand, taking into account the absence of future profitability for Dexia Crediop, the value of the Dexia Crédit Local holding in this entity was brought to zero in the statutory accounts of Dexia Crédit Local at the end of December 2019.

Evolution of the Group’s governance

On 4 February 2019, the Dexia Board of Directors appointed Claire Cheremetinski as a non-executive director of Dexia, replacing Lucie Muniesa.
On 25 February 2019, the Dexia Board of Directors appointed Patrick Renouvin to succeed Aline Bec as Chief Operating Officer of Dexia as from 1 May 2019.
On 21 March 2019, the Dexia Board of Directors appointed Tamar Joulia-Paris as a non-executive director of Dexia, replacing Martine De Rouck.
On 8 October 2019, the Dexia Board of Directors appointed Bart Bronselaer as Chief Executive Officer and Chairman of the Management Board *ad interim* of Dexia as from 15 November 2019, replacing Wouter Devriendt, who had expressed his wish to leave the Dexia Group in order to pursue his international career.
As the governance of Dexia and Dexia Crédit Local is integrated, Bart Bronselaer is also Chief Executive Officer ad interim of Dexia Crédit Local, Patrick Renouvin is also Chief Operating Officer and Executive Vice-President of Dexia Crédit Local. Claire Cheremetinski and Tamar Joulia-Paris are also directors of Dexia Crédit Local.

On the proposal of the Appointments Committee, the Board of Directors meeting held on 16 March 2020 decided to retain the candidacy of Pierre Crevits and to start the Fit & Proper procedure to obtain the approval of the European Central Bank with a view to proposing to the Shareholders' Meeting to be held on 20 May 2020 the appointment of Pierre Crevits as Chief Executive Officer and Chairman of the Management Board of Dexia.

Approval by the European Commission of the prolongation of the Dexia’s senior debt State guarantee

On 27 September 2019 [(1)], the European Commission confirmed its approval of the prolongation by Belgium and France of Dexia’s senior debt State guarantee granted to Dexia Crédit Local beyond 31 December 2021.
Validated by the European Commission in December 2012, the Dexia Group's orderly resolution process is based in particular on a funding guarantee granted jointly and not severally by the Belgian, French and Luxembourg governments. The maximum principal amount of this guarantee is EUR 85 billion. It covers funding raised from qualified, institutional or professional investors covered by the guarantee agreement before 31 December 2021 and having a maximum maturity date of ten years. As at 31 December 2019, Dexia's total outstanding guaranteed debt amounted to EUR 60.5 billion[(2)].
In order to anticipate the expiry of the current guarantee, the Belgian and French States gave notice, to the European Commission, of a plan to extend this guarantee for a further period of 10 years from 1 January 2022.
The extended funding guarantee will retain most of its current features and will therefore remain joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the scheme:

- The new guarantee ceiling will be EUR 75 billion which, given the sharp reduction in the Group's funding requirements, represents a comfortable level for achieving its resolution;
- The Luxembourg State will no longer participate in the guarantee scheme. Its 3% share will be distributed between the Belgian and French States in proportion to their current shares of 51.41% and 45.59% respectively, resulting in a proportion of 53% for Belgium and 47% for France;
- The remuneration for the guarantee will remain at 5 basis points per annum on the guaranteed amounts outstanding, payable monthly. This fee may be increased by a conditional deferred fee, which will be payable on the Group’s liquidation and provided that Dexia Crédit Local no longer holds a banking licence. The tariff structure for this fee will be progressive from 2022, and reach an annual rate of 135 basis points on outstanding in 2027.

The conditional deferred fee is subordinate to the rights of preferential unsecured or subordinated creditors at a “Tier 2” or higher level of Dexia Crédit Local. However, it takes precedence over hybrid “Tier 1” securities of Dexia Crédit Local (ISIN FR0010251421) and Dexia (ISIN XS0273230572).

(1) Cf. Press Release issued by Dexia on 27 September 2019, available at www.dexia.com.
(2) Details of Dexia’s outstanding debt are available on the National Bank of Belgium web site (http://www.nbb.be/doc/dq/warandia/index.htm).

The deferred part of the fee which Dexia Crédit Local 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 Dexia Crédit Local. Consequently, neither the holders of hybrid subordinated "Tier 1" debt of Dexia Crédit Local and Dexia nor the States, as holders of profit shares issued by Dexia, nor the shareholders of Dexia (States and other shareholders) should receive any proceeds following the liquidation of Dexia, such proceeds being paid to the Belgian and French States as conditional deferred commission.
This guarantee remuneration structure makes it possible fully to implement the principle of burden sharing which underpins Dexia's orderly resolution and requires that any improvement in Dexia's financial situation only benefits the State shareholders and guarantors.
Furthermore, to the extent that Dexia anticipates negative net liquidation proceeds from Dexia Crédit Local after payment to the States of the deferred part of the guarantee fee, the carrying amount of Dexia Crédit Local's interest in the consolidated financial statements of Dexia, amounting to EUR 2.25 billion as at 31 December 2018, was set at zero. This impact is reflected in the statutory financial statements of Dexia as at 31 December 2019.
Belgium and France will have to ratify Dexia's senior debt State guarantee in accordance with the procedures applicable in each State.
Dexia Crédit Local continues to refinance itself under the guarantee scheme currently in force until 31 December 2021 and the debt already issued or to be issued before that date will be covered until its contractual maturity by the guarantee agreement of 24 January 2013.

Delisting of the Dexia shares from trading on Euronext Brussels

The Extraordinary Shareholders' Meeting of Dexia held on 16 October 2019 approved the proposal to withdraw Dexia shares from trading on the regulated market of Euronext Brussels. The delisting has been effective since 2 December 2019.
The Extraordinary Shareholders' Meeting of 16 October 2019 also decided, in order to rationalise and simplify the administrative management of the company, to abolish the dematerialised form of the shares. As a consequence, since 2 December 2019, Dexia's capital has been represented solely by registered shares.
Shareholders who hold dematerialised Dexia shares must be registered in the Dexia share register in order to be able to continue to exercise their rights(1). They have the possibility to sell their registered shares over the counter or on the Euronext Expert Market.
To recall, since the entry of the Group into orderly resolution, Dexia shares have had no prospect of being allocated a dividend or liquidation bonus. The resolution plan, validated in December 2012 by the European Commission, is in fact underpinned by a principle of burden sharing which requires that any improvement in Dexia's financial situation benefits only the State shareholders and guarantors of the Group's liquidity. This principle is materialised in particular via the profit shares containing Contingent Liquidation Rights (CLR) held by the Belgian and French States. These CLRs do not represent the capital, but confer on the States the right to benefit from a preferential distribution, exercised once only at the time of the liquidation of the company(2).
Dexia considers that the delisting is in the interest of the company, given the costs that this listing generates and the reduced liquidity offered to the shareholders.

(1) https://www.dexia.com/en/about-the-dexia-group/delisting-of-dexia-shares.

Strengthening of the prudential requirements applicable to the Dexia Group with regard to solvency as from 1 January 2020

The European Central Bank (ECB) informed the Dexia Group of the qualitative and quantitative prudential requirements with regard to solvency applicable to Dexia and Dexia Crédit Local, on a consolidated basis, and its Italian subsidiary Dexia Crediop as from 1 January 2020, in accordance with Council Regulation (EU) 1024/2013 dated 15 October 2013. These requirements are based in particular on the conclusions of work carried out by the ECB within the framework of the Supervisory Review and Evaluation Process, (SREP)(3).

More detailed information is provided in the chapter entitled "Information on capital and liquidity" in this annual report.

Post-balance-sheet events

Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. The Group's Management Board has rapidly activated the operational and strategic crisis units to protect its teams and has implemented all the necessary measures to enable its teams to work remotely. The crisis unit ensures the operational continuity of the company and manages all impacts related to this situation.
As at the date of approval of the Group's financial statements by the Board of Directors, the severity of the pandemic has had a major impact on the financial markets, resulting in a very high volatility of all financial indices, a steepening of interest rate curves and a decline in the value of shares and bonds affecting all categories of borrowers. Containment measures make the execution of market transactions extremely complex. Finally, given the high degree of uncertainty about the development of the crisis, the maturities sought by money market investors have become much shorter.
The rapid progress made towards meeting the acceleration targets of the deleveraging plan, set in 2019 by the Group's governance bodies, has made it possible significantly to reduce the size of Dexia's commercial portfolios as well as its funding requirements. As at 31 December 2019, the Group had a liquidity buffer of EUR 19.4 billion, enabling it to cope with market tensions, and its LCR ratio amounted to 238%. Prior to the deepening of the crisis, the Group had executed 33% of its long-term guaranteed funding programme, and since then it has financed itself mainly through secured funding (repo).

(2) Cf. Press Release issued by Dexia on 7 December 2017, available at www.dexia.com.
(3) Cf. Press Release issued by Dexia on 24 January 2020, available at www.dexia.com.

The current crisis makes the implementation of the asset disposal plan more complex and exposes the Group to fluctuations in the value of assets not sold and reclassified at fair value. On the other hand, the Group could experience a deterioration in the credit quality of its asset portfolio which cannot be assessed at the date of approval of the Group's financial statements by the Board of Directors. At the end of December 2019, Dexia's Total Capital ratio was 27.2%, a level above the minimum of 13.85% imposed for the year 2019 by the European Central Bank (ECB) within the framework of the Supervisory Review and Evaluation Process (SREP).

As part of the fight against the crisis triggered by the Covid-19 epidemic, the ECB, the Banque de France, the National Bank of Belgium and the European Banking Authority (EBA) announced measures aimed at easing prudential requirements and operating costs for credit institutions. Thus, the ECB is exceptionally and temporarily allowing banks to operate with ratio levels which may be below the LCR liquidity ratio, capital conservation buffer requirements (requirement of 2.5% as at 1 January 2020) and requirements under the Pillar 2 guidance (P2G). The *Haut Conseil de stabilité financière* has also decided to relax the countercyclical buffer in full until further notice.

Including these easing measures, the capital requirement applicable to Dexia rises to 11.25% on a consolidated basis.

The asset repurchase programmes (PEPP for the ECB) announced in a coordinated manner by the central banks and the launch of long-term refinancing operations (LTROs) is also intended to support market liquidity.

Finally, the ECB has announced that banks will be given additional time in which to take the corrective actions resulting from previous inspections and may grant additional time in the delivery of certain regulatory postponements to facilitate business continuity. The EBA also decided to postpone the 2020 stress test exercise for all institutions until 2021. Dexia will benefit from these measures in the same way as other credit institutions.

At the date of drawing up its financial statements, Dexia has taken these different elements into account and concluded that they do not call into question the assessment of the going concern (cf. note on going concern).

Financial results

Notes regarding the Dexia Group's annual consolidated financial statements 2019

Going concern

The consolidated financial statements of Dexia as at 31 December 2019 were prepared in line with the accounting rules applicable to a going concern in accordance with IAS 1 § 25 and 26. This requires a number of constituent assumptions underlying the business plan for the resolution of the Dexia Group, decided upon by the European Commission in December 2012 and established on the basis of the elements available on the date the financial statements were approved by the Board of Directors. In particular:

• The macroeconomic hypotheses underlying the business plan are revised as part of the half-yearly reviews of the overall plan. The update made on the basis of market data observable as at 30 June 2019 and validated by the Board of Directors of Dexia on 19 December 2019 integrates the regulatory developments known to that date, including the final version of the CRD IV Directive. It also takes account of the non-renewal, as from 1 January 2019, of the specific approach granted by the European Central Bank for the supervision of the Dexia Group. This update does not integrate the results of the on-site inspection (OSI) by the European Central Bank on operational risk and outsourced activities, on which the definitive report has not yet been received by Dexia.

• The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured funding.

• The latest update of the business plan takes account of a revision of the funding plan relying on the last observable market conditions. Dexia has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to the prudent management of its liquidity. This enables the Group to maintain a level of liquidity reserves which is deemed appropriate considering the restriction of access to European Central Bank funding announced on 21 July 2017. As at the end of 2019, Dexia had a liquidity buffer amounting to EUR 19.4 billion, half of which consisted of cash.

• The acceleration of the deleveraging decided during the summer 2019, combined with the sale of DKD, led to a EUR 32 billion decrease of the Group's funding requirement over the year, partially driven by a rapid reduction of the funding requirement in US dollar. The achievement of the funding programme in 2019, in line with the budget, as well as the successful launch of its first 2020 7-year benchmark issue for EUR 1.5 billion is a reflection of the good funding capacity of Dexia which resilience vis-à-vis the risk of liquidity, in normal market circumstances, strongly improved in 2019. Finally, the confirmation by the European Commission of the prolongation of the liquidity guarantee provided by the French and Belgian States beyond 31 December 2021 for up to EUR 75 billion provides great comfort for the continuation of the Group's orderly resolution.

• The business plan assumes the maintenance of the banking licence of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at the level of Investment Grade.

• When assessing the appropriateness of the going concern, the management has challenged the consistency of the strategic choices made by its shareholders with long-term financial forecasts. The management also factored in the constraints and uncertainties related to its operating model as well as the risk attached to its operational continuity, given its specific nature of a bank in run-off, and took the appropriate actions to mitigate such risks.

Uncertainties remaining with regard to implementation of the business plan over the duration of the Group's resolution led to regular reviews and adjustments to the original plan and, over time, may involve a significant change of the Group's resolution trajectory as initially anticipated. In particular, this plan is likely to be impacted by new developments in accounting and prudential rules.

The Dexia Group is also very sensitive to the evolution of the macroeconomic environment and to market parameters, particularly exchange rates, interest rates and credit spreads. An unfavourable evolution of these parameters over time could weigh on the Group's liquidity and its solvency position. It could also impact the valuation of financial assets, liabilities and OTC derivatives, fluctuations of which are booked in the income statement and are liable to result in a fluctuation of the level of the Group's regulatory capital. In particular, considering decisions taken by the Board of Directors in relation to the implementation of two asset sales programmes, for a total amount of approximately EUR 18 billion, Dexia is exposed to the evolution of macroeconomic conditions and market parameters on these assets until their effective disposal.

Finally, the Group is exposed to certain operational risks, specific to the resolution environment in which it operates.

At this stage, these uncertainties do not raise any question as to the nature or the fundamentals of the resolution, which justifies the decision to establish the financial statements in accordance with the "going concern" principles pursuant to IAS 1.

Moreover, Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. On the date of approval of the Group's financial statements by the Board of Directors, the severity of the pandemic has had major consequences on the financial markets. It will have a severe impact on economic growth and could lead to a deterioration in the quality of the assets held by the Group that cannot be assessed at this stage.
Dexia has rapidly implemented the necessary measures to ensure operational continuity within the context of a confinement of staff members and subcontractors. Its liquidity reserves enable it to cope with the tensions existing on the money market on the date of approval of the financial statements by the Board of Directors and the measures announced by the supervisors to relax solvency ratios increase its excess capital buffer.
As a consequence, after taking account of all these elements developed in part in the chapter "Highlights" of this annual report, Dexia management confirms that, at the end of 2019, the financial statements can be prepared in accordance with the rules applicable to a going concern in accordance with IAS 1 § 25 and 26. The subsequent analysis of the effects of the Covid-19 crisis carried out by Dexia management has not led to call into question the appropriate nature of the going concern agreement.

Analytical segmentation

Having completed its commercial entity disposal programme as required under the resolution plan, Dexia is now focused on managing its residual assets in run-off, protecting the interests of the Group's State guarantors and shareholders.

In line with the Group's profile, Dexia's performance is now shown at a consolidated level on the basis of a single division entitled "Management of activities in run-off", without specific allocation of funding and operating expenses by segment of activity.

Income statement presentation

In order to make the results easier to understand, Dexia has used the following segmentation:
• Recurring elements associated with the carry of assets such as portfolio income, funding costs, operating charges, cost of credit risk and taxes.
• Accounting volatility elements associated with asset and liability fair value adjustments in particular including the impacts of the IFRS 13 accounting standard (CVA, DVA, FVA), the valuation of OTC derivatives, the various impacts relating to financial instruments booked at fair value through profit and loss (in particular non-SPPI assets) and the variation of value of derivatives hedging the WISE portfolio (synthetic securitisation of a portfolio of enhanced bonds).
• Non-recurring elements, in particular gains and losses on the disposal of holdings and instruments booked at amortised cost or at fair value through equity, costs and gains associated with litigation, cost and indemnities induced by the exit of projects or contracts, restructuring costs as well as costs associated with Group strategic restructuring projects or exceptional operational taxes.

Analysis of the consolidated income statement

CONSOLIDATED INCOME STATEMENT – ANC FORMAT

(in EUR million)	2018	2019
Net banking income	**(232)**	**(746)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(386)	(379)
Gross operating income	**(618)**	**(1,125)**
Cost of credit risk	128	265
Net gains or losses on other assets	8	0
Pre-tax income	**(482)**	**(860)**
Income tax	(40)	33
Result from discontinued operations, net of tax	23	(111)
Net income	**(499)**	**(938)**
Minority interests	(26)	(40)
Net income Group share	**(473)**	**(898)**

Analytical presentation of the results

Net income Group share of EUR -898 million for the year 2019 is composed of the following elements:
- EUR -28 million is attributable to recurring elements;
- EUR -15 million is associated with accounting volatility elements;
- EUR -855 million is generated by non-recurring elements.

ANALYTICAL PRESENTATION OF THE DEXIA GROUP 2019 RESULTS

(in EUR million)	Recurring elements	Accounting volatility elements	Non-recurring elements	Total
Net banking income	**(19)**	**(15)**	**(711)**	**(745)**
General operating expenses and depreciation, amortization and impairment of tangible fixed assets and intangible assets	(347)	0	(33)	(380)
Gross operating income	**(366)**	**(15)**	**(744)**	**(1,125)**
Cost of credit risk	265	0	0	265
Net gains or losses on other assets	0	0	0	0
Pre-tax income	**(101)**	**(15)**	**(744)**	**(860)**
Income tax	33	0	0	33
Result from discontinued operations, net of tax	0	0	(111)	(111)
Net income	**(68)**	**(15)**	**(855)**	**(938)**
Minority interests	(40)	0	0	(40)
Net income Group share	**(28)**	**(15)**	**(855)**	**(898)**

Recurring elements

Net income Group share from recurring items amounted to EUR -28 million as at 31 December 2019, compared to EUR -210 million at the end of December 2018.

Over the year, net banking income was negative at EUR -19 million, reflecting the net interest margin, which corresponds to the cost of carry of the assets as well as the transformation result of the Group. The net interest margin decreased, principally due to the persistence of historically low interest rates.

Costs amounted to EUR -347 million compared to EUR -369 million as at 31 December 2018. Taxes and regulatory contributions of EUR -62 million were down, in line with the reduction of the Group's size and the improvement of its risk profile, while general operating expenses were impacted by transformation costs, notably related to the renewal of the IT infrastructure.

The cost of credit risk amounted to EUR +265 million, mainly explained by EUR +95 million reversals of provisions, following the sale of provisioned exposures, notably the provision on the Chicago Board of Education exposure, and by a EUR +150 million change in the estimate of provisioning. Indeed, following the recommendations made by the European Central Bank within the framework of the on-site inspection on credit risk, the Group applied the methodology recommended by the European Banking Authority (EBA) for the identification of the Significant Increase in Credit Risk (SICR), which resulted in particular in a revaluation of the provision on Portugal from stage 2 to stage 1. This reassessment is confirmed by the review of the internal rating of Portugal carried out by Dexia at the beginning of 2020.

Globally, the credit quality of the portfolio remains high and the coverage ratio[(1)] is 22.2% as at 31 December 2019.

The tax amount was positive at EUR +33 million, benefiting from a EUR +22 million favourable impact in the fourth quarter of 2019, linked to the positive resolution of a tax dispute.

Accounting volatility elements

Accounting volatility elements generated a negative impact of EUR -15 million on the 2019 result.

The variation of market parameters during the year had a strong negative impact on hedging inefficiencies (EUR -209 million). In particular, the valuation of derivatives was marked by the unfavourable evolution of the BOR versus OIS margin in GBP. This negative impact was offset by a favourable evolution of the Funding Value Adjustment (FVA), Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA), for a total amount of EUR +138 million.

Non-recurring elements

Non-recurring elements booked over the year amounted to EUR -855 million and in particular included:
- Losses related to asset disposals and, to a lesser extent, liability redemptions amounting to EUR -403 million;
- EUR -314 million impact related to the reclassification of US assets from amortised cost to fair value through profit or loss (FVP&L), within the context of the change of the business model;
- The net impact resulting from the sale of DKD (EUR -115 million). This amount includes the net capital loss on disposal as well as the net result of DKD as at 30 June 2019 (EUR -9.2 million).

(1) Ratio between specific provisions (phase 3) and depreciated assets.

Evolution of the consolidated balance sheet

As at 31 December 2019, the Group's consolidated balance sheet total amounted to EUR 120.3 billion, down sharply by EUR -38.5 billion compared to 31 December 2018, mainly as a result of the dynamic policy of reducing asset portfolios.

The asset portfolio now stands at EUR 49.6 billion, composed in equal parts of bonds and loans, mainly denominated in EUR. It is mainly focused on the Italian sovereign and the European public sector (Italy, France, Spain, Portugal), with a residual concentration of UK and Japanese assets.

On the assets side and at a constant exchange rate, the decrease is almost entirely explained by the deconsolidation of DKD (EUR -24.4 billion) and the reduction of the asset portfolios (EUR -16 billion). Over the year, the impact of the macroeconomic environment (fair value items and collateral cash posted) was limited (EUR +1.2 billion).

On the liabilities side, at a constant exchange rate, in addition to the impact of the DKD deconsolidation, the evolution of the balance sheet is principally reflected by the reduction of the stock of market funding (EUR -17 billion), slightly offset by an increase of the fair value of liabilities and derivatives and of the amount of collateral cash received (EUR +2.5 billion).

The impact of foreign exchange variations on the balance-sheet evolution is negligible.

Risk Management

Introduction

In 2019, the Risk activity line continued actively to manage the risk carried by Dexia, in line with the Risk Appetite Framework (RAF). This framework will be enhanced to include new risk indicators for solvency, liquidity, profitability, operational and business continuity risk indicators, related in particular to the outsourcing of IT services and back office. Its purpose is to define principles for assessing any deviation of the risk profile from the strategic plan approved by the Group's management bodies.

During the year, Dexia significantly reduced its commercial portfolios, through the acceleration of the asset disposal programme and the implementation of an additional programme. Within the context of the transformation of DCL New York and in order to reduce the operational risk linked to the transfer of the entity's balance sheet to Dexia Crédit Local's head office, the Group sold a large part of the assets held by its US branch. The assets sold include the entire portfolio of ABS on student loans and a large part of the public sector portfolio. The entirety of the Group's exposure to the Chicago Board of Education was repurchased or sold. The reversal of provisions following these disposals, combined with a change in the estimate of the provisioning, notably on the Portuguese sovereign, largely explains the positive cost of risk, which amounts to EUR 265 million for the year 2019.

Outsourcing contracts, in particular the agreements between Dexia and Cognizant concerning IT and back-office services as well as IT infrastructure, are closely monitored, in particular by the indicators of the *Risk Appetite Framework*.

As in 2018, Dexia participated in the transparency exercise organised by the European Banking Authority (EBA), the elements and conclusions of which were published at the end of November 2019. The aim of this exercise was to provide detailed and harmonised information on the balance sheets and portfolios of the main European banks.

Finally, Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. The Management Board has activated the operational crisis unit in order to protect its teams, ensure the operational continuity of the company and manage all the impacts linked to this situation.

Governance

The 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.

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

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.

Thus the Management Board delegates its decision-taking powers in relation to:

- operations giving rise to credit risks to a Transaction Committee;
- balance sheet operations 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 entitled "Governance" in this annual report.

Organisation of the Risk activity line

The Risk Management Executive Committee

As at 31 December 2019, the Risk Management Executive Committee is chaired by the Chief Risk Officer and each department is represented within it:
• the Credit Analysis Centres department,
• the Market Risk department,
• the Permanent Control, Operational Risk and IT Systems Security department,
• the Credit Models and Default Monitoring department,
• the Transversal Risk Management department,
• the Risk Metrics & Reporting department,
• the Internal Validation department.

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.

In particular, the Risk Management Executive Committee is responsible for monitoring models (developments, reviews, back testing, stress testing) on proposals from the teams responsible for the management of risk models, quantification 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.

The organisation and operation of the activity line also rely on other 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.

Typology of the risks monitored by Risk Management

Risk Appetite Framework

The *Risk Appetite Framework* (RAF) is a regulatory requirement which defines Dexia's level of risk tolerance as approved by the Board of Directors 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. 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, that 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 determines 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 **"Watchlist" Committee** supervises assets considered to be "sensitive", placed under watch, and decides on the amount of provisions set aside;
• the **Defaults 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 risks 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 each month 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 actually to manage that risk and of monitoring exposures and checking compliance with Group standards. Furthermore, this ALM Risk team 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 Risk Committee. This committee examines 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. The Risk Committee relies on a committee dedicated to activity continuity and IT systems security, which examines and decides on actions to be taken to guarantee activity continuity and the implementation of a policy for IT systems security.
Operational risk, activity continuity and IT systems security 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. Within each activity domain, an operational risk correspondent coordinates data collection and assesses risks, as well as proposing and monitoring remediation action plans. Supported by the operational risk management function, 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. The results are subject to independent analysis 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 dossier (subject of exchanges with the European Central Bank within the framework of the SREP) and ad hoc analyses to support strategic choices.

Risk Monitoring

Credit risk

Exposure to credit risk

Dexia's credit risk exposure is expressed as *Exposure at Default* (EAD). It corresponds to the best estimate of credit risk exposure in the event of default. The definition of EAD used by Dexia is given in Note 7 in the Appendix to the consolidated financial statements.
As at 31 December 2019, Dexia's exposure to credit risk was EUR 87.9 billion compared to EUR 123.6 billion at the end of December 2018, i.e. down 29%, linked to natural portfolio amortisation, asset disposals and early redemptions.
Exposure was for EUR 43 billion in loans and EUR 39 billion in bonds. It was for the most part concentrated in the European Union (81%) and the United States (10%).

EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	31/12/2018 Total	o/w discontinued activities (DKD)	o/w continuing activities	31/12/2019 Total
United Kingdom	21,114	53	21,061	21,404
Italy	21,883	837	21,046	19,478
France	22,271	54	22,216	17,730
United States	15,017	152	14,865	8,881
Spain	7,421	28	7,393	5,418
Portugal	4,422	235	4,187	4,050
Japan	5,469	0	5,469	3,804
Other European countries	2,176	1,431	745	1,628
Canada	1,882	0	1,882	1,182
Germany	16,714	14,805	1,909	1,058
Central and Eastern Europe	1,915	1,014	900	905
Central and South America	345	0	345	164
Switzerland	353	0	353	146
South East Asia	202	0	202	121
Scandinavia	218	20	198	81
Others [1]	2,241	267	1,974	1,857
TOTAL	**123,643**	**18,896**	**104,747**	**87,907**

(1) Includes suparanationals and Australia.

As at 31 December 2019, the majority of exposures remained concentrated on the local public sector and sovereigns (72%), taking account of Dexia's historical activity.
Exposure on France fell following asset disposals concentrated on the local public sector, natural portfolio amortisation and the reduction of deposits with the Bank of France by virtue of the liquidity reserve.

EXPOSURE BY CATEGORY OF COUNTERPARTY

(in EUR million)	31/12/2018 Total	o/w discontinued activities (DKD)	o/w continuing activities	31/12/2019 Total
Local public sector	65,804	16,651	49,153	37,809
Sovereigns	27,081	1,666	25,416	25,871
Project finance	10,299	14	10,286	9,329
Financial institutions	10,406	557	9,849	6,852
Corporates	5,733	0	5,732	5,286
ABS/MBS	2,831	9	2,822	1,410
Monolines	1,488	0	1,488	1,349
Individuals, SME, self-employed	1	0	1	1
TOTAL	**123,643**	**18,896**	**104,747**	**87,907**

The quality of the Dexia credit portfolio remained high, with 92% of exposures rated investment grade as at 31 December 2019.

EXPOSURE BY RATING (INTERNAL RATING SYSTEM)

(in EUR million)	Total	o/w discontinued activities (DKD)	31/12/2018 o/w continuing activities	31/12/2019 Total
AAA	19.11%	23.04%	18.40%	16.91%
AA	16.96%	66.33%	8.05%	7.73%
A	25.24%	3.33%	29.19%	29.96%
BBB	29.44%	6.62%	33.56%	36.90%
Non Investment Grade	7.85%	0.66%	9.15%	7.49%
D	1.13%	0%	1.33%	0.77%
No rating	0.27%	0.02%	0.32%	0.22%
TOTAL	**100%**	**100%**	**100%**	**100%**

Particular attention is paid to the sectors and countries listed in the following table in view of the significant amounts of exposure or the degree of sensitivity. The main developments and significant facts for those sectors and countries in 2018 are presented in the following paragraphs.

GROUP SECTOR EXPOSURE TO CERTAIN COUNTRIES

(in EUR million)	Total	o/w local public sector	o/w project finance and corporates	o/w financial institutions	o/w ABS/MBS	o/w sovereign exposures	o/w monolines
United Kingdom	**21,404**	10,315	7,458	1,362	1,360	64	846
Italy	**19,478**	8,612	277	114	3	10,472	0
France	**17,730**	7,290	2,541	1,490	0	6,408	0
United States	**8,881**	2,740	838	1,125	3	3,672	503
Spain	**5,418**	3,584	1,169	246	42	377	0
Portugal	**4,050**	1,006	59	11	0	2,974	0
Japan	**3,804**	3,248	0	535	0	21	0
Germany	**1,058**	0	109	945	0	4	0

Dexia Group commitments to sovereigns

Dexia Group commitments to sovereigns are concentrated essentially on Italy, France and to a lesser extent the United States and Portugal.

In 2019, Dexia took advantage of favourable market conditions to dispose of some of its sovereign exposure, particularly on Italy. Exposure on the Italian sovereign fell by EUR 1.8 billion over the year 2019 and was EUR 10.5 billion as at 31 December 2019.

Sovereign exposure on France was EUR 6.4 billion as at 31 December 2019, against EUR 8.5 billion as at 31 December 2018. The fall recorded over the year reflects the reduction of deposits with the Bank of France by virtue of the Group liquidity reserve.

The two main events in Europe were the arrival in power in Italy of a pro-European coalition and persisting uncertainties surrounding the United Kingdom's exit from the European Union.

In Italy, as a result of a more fiscally constructive coalition, tensions on the capital markets have eased significantly: Italian interest rates and credit spreads have fallen back to the levels seen before the Northern League/Five Star Movement coalition agreement in 2018.

Following the election of Boris Johnson's Conservative Party in early elections at the end of the year, the UK's exit from the European Union in 2020 is certain. However, uncertainties remain over the terms of the post-exit UK/EU relationship.

Dexia's exposure to the United Kingdom sovereign is negligible (EUR 64 million). Overall exposure on the United Kingdom was nonetheless EUR 21 billion as at 31 December 2019, essentially relating to local authorities, Utilities (water, gas transmission and distribution and electricity), project finance and social housing, all rated in the investment grade category and for which Dexia does not anticipate any major negative impact in the short term as a result of Brexit.

Commitments of the Dexia Group to the local public sector

Considering Dexia's historical activity as a lender to local authorities, the local public sector represents a significant proportion of the Dexia Group's outstanding, principally concentrated in the countries of Western Europe (United Kingdom, Italy, France, Spain, Portugal) and in North America and Japan.

France

The quality of the Group's portfolio, consisting mainly of outstanding on local authorities and social housing, remains very good, with a very limited number of payment incidents observed.

The year 2019 was marked by significant sales of loans within the framework of the deleveraging programme, notably loans to French local authorities (EUR 0.6 billion).

More detailed information on asset sales are provided in the chapter entitled "Highlights" in this annual report.

Spain

The Spanish State's support to the regions and municipalities continued through the renewal of several financial support funds: EUR 26.2 billion was paid to the regions in 2019, particularly by the Autonomous Liquidity Fund for the Regions (FLA), against EUR 29.9 billion granted in 2018. In consideration for such aid, the State control over regional or local finance was increased: the 2019 budgets were drawn up on the basis of a deficit target of 0.1% of GDP. By way of comparison, the deficit was 0.2% in 2018.

Catalonia is one of the main Spanish regions and a major centre of economic attractiveness for Spain, but its financial situation remains tense. It presents negative savings, heavy indebtedness and tight liquidity leading to dependence on short-term funding. As a consequence it benefits from support from the State. Following the election of new governments in Catalonia and in Spain, financial control by the Spanish state was raised. The region's finances nonetheless remain subject to control under the FLA. Dexia's exposure to Catalonia is high (EUR 1.8 billion) but no payment incident was recorded, as for the other Spanish regions.

Exposures have been significantly reduced in many regions in 2019, including Castilla y León and Galicia, as well as the region of Cantabria, which has not had an exposure since June.

United States

The majority of Dexia's exposures to the local public sector in the United States relates to States (53%) and local authorities (17%). Like the US local public market, the Dexia portfolio is of good quality and is generally covered by monolines.

The main risks affecting the sector are medium and long-term risks relating to the increase of pension debts (with a pension reform capacity more or less significant depending on the legislative framework of each State) and the possible subordination of bond lenders vis-à-vis the beneficiaries of pension schemes, as in certain recent insolvencies.

In 2019, Dexia took advantage of favourable market conditions to reduce its exposure to the US public sector. Several counterparties with high credit risk were sold. In particular, the Dexia Group bought back or sold its entire exposure to the Chicago Board of Education for which a specific provision had been booked.

More detailed information on the sales of US assets is provided in the chapter entitled "Highlights" in this annual report.

Dexia Group commitments to project finance and corporates

The project finance and corporate loans portfolio amounted to EUR 15 billion as at 31 December 2019, down 9% on the end of 2018. This portfolio contracted on the one hand as a result of natural amortisation and certain early redemptions and on the other hand following disposals.

The portfolio consists 64% of project finance[(1)], the balance being in finance to corporates, such as acquisition financing, commercial transactions or corporate bonds. The portfolio is of good quality: 80% project finance and 99% finance to corporates is rated investment grade.

The UK portfolio represents approximately 51% of the project finance portfolio (PPP) and corporates (utilities), and 97% of the exposure is rated investment grade. There is no anticipation of any significant negative short-term impact following Brexit, even in the event of a non-deal departure from the European Union.

Dexia Group commitments to ABS

In 2019, Dexia continued the voluntary reduction of its ABS portfolio. Taking advantage of favourable market conditions, the Group disposed of the entirety of its ABS portfolio on US government student loans.

Dexia Group commitments to financial institutions

Dexia commitments to financial institutions were EUR 6.9 billion as at 31 December 2019.

The evolution of the Deutsche Bank group continues to be monitored carefully. Dexia's exposure to this group was significantly reduced in 2019 to EUR 0.4 billion against EUR 0.9 million as at 31 December 2018, following the non-renewal of a major long-term repo and the deconsolidation of Dexia Kommunalbank Deutschland.

Dexia's exposure to the Italian banking system was limited to EUR 114 million as at 31 December 2019.

(1) Transactions without recourse to their sponsors the redemption of which is only on the basis of their own cash-flows and strongly secured in favour of the bank, for example via sureties on assets and contracts or a limitation of dividends.

Dexia Group commitments to monolines

Dexia is indirectly exposed to monolines in the form of financial guarantees covering timely payment of the principal and interest payable on credits on certain bonds and loans. Claims against monoline insurers only become payable if real defaults occur in the underlying assets. Dexia's enhanced bonds benefit from increased trading values and, in some cases, a reduction of capital in view of the credit enhancement provided by monolines.

As at 31 December 2019, the amount of exposures enhanced by monolines was EUR 8.5 billion, of which 73% of exposures assets insured by monolines are rated investment grade by one or more external rating agencies. All but FGIC continue to honour their original commitments.

Impairment on counterparty risk - Asset quality

ASSET QUALITY

(in EUR million)	31/12/2018 (1)	31/12/2019
Impaired assets (2)	1,273	615
Specific impairments (3)	305	143
o/w stage 3	299	136
POCI	6	7
Coverage ratio (4)	23.96%	23.25%
Collective provisions	345	166
o/w stage 1	5	5
o/w stage 2	340	161

(1) Without Dexia Kommunalbank Deutschland.
(2) Outstanding calculated on the impairable IFRS 9 scope (fair value by own capital + amortised cost + off-balance-sheet).
(3) Provisions in line with the portion of the portfolio taken into account for the calculation of the outstanding, including impairments related to Purchased or Originated Credit Impaired (POCI).
(4) Ratio between specific provisions and impaired assets.

The year 2019 was marked, on the one hand, by a change in the estimates used in the credit risk deterioration model leading to a reclassification of assets from the IFRS 9 scope between stages 1 and 2 at 31 December 2019 and, on the other hand, by the acceleration of the Group's transformation and asset disposals.

Dexia's stock of impaired loans and receivables amounted to EUR 615 million as at 31 December 2019, down EUR 658 million compared to the end of 2018. Specific provisions allocated amounted to EUR 143 million, down EUR 162 million compared to 31 December 2018.

This decrease of impaired assets and specific provisions was mainly explained by the sale and reimbursement of the Chicago Board of Education receivables and the sale of impaired receivables related to the motorway infrastructure sector in Greece and the rail sector in Spain.

In addition, the liquidation of two assets for which all potential recoveries have already been made results in a further EUR 42 million decrease in specific provisions.

As a result, the coverage ratio was 23.3% as at 31 December 2019.

As at 31 December 2019, collective provisions amounted to EUR 166 million, of which EUR 5 million of stage 1 provision and EUR 161 million of stage 2 provision. The sharp decrease of EUR 179 million observed over the year is mainly linked to the change in the estimate of provision, following the application of the Significant Increase in Credit Risk (SICR) methodology, which resulted in particular in the reclassification of the Portuguese sovereign from stage 2 to stage 1.

In order to facilitate monitoring and comparison between the different European banks, the European Banking Authority has harmonised the definition of Non-Performing Exposure (NPE) and Forbearance practices.

• The non-performing exposures bring together outstanding amounts unpaid for more than 90 days or for which the Group considers that the counterparty is unable to repay without implementing guarantees. As at 31 December 2019, the outstanding amount of non-performing exposures represented EUR 1 billion, corresponding to 68 counterparties. The fall of EUR 1.1 billion is linked in particular to the departure from the NPE of counterparties linked to the social housing sector in France.

• The definition of Forbearance brings together the facilities granted by banks to counterparties experiencing or about to experience financial difficulties in dealing with their commitments (facilities which the banks would not otherwise have granted). As at 31 December 2019, 32 counterparties were the object of Forbearance, in an outstanding amount of EUR 0.4 billion.

Market risk

Risk measurement

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

• *Value at Risk* (VaR) measures the expected potential loss for a 99% confidence interval and for a ten-day holding period. 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 returns of risk factors.

• Limits in terms of positions, maturity, market and authorised products are put in place per type of activity. They guarantee consistency between global risk limits and the operational thresholds used by the 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 reviewed and updated. The consolidated stress test results and the corresponding analysis are presented to the Risk Committee on a quarterly basis.

Exposure to market risk

The main risk factors of the trading portfolio are:

• Transactions initiated by financial instrument trading activities until the date of the Group's orderly resolution, most of them covered back-to-back;

• Transactions intended to cover risks arising from disinvestments or asset sales within the framework of the orderly resolution plan.

• the interest rate risk, in particular on the euro zone and the dollar zone;

• the cross-currency basis swap risk;

• the basic 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.

Value at Risk (VaR)

The detail of the VaR from the trading portfolios is presented in the following table. At the end of December 2019, total consumption in VaR was EUR 1 million against EUR 1.7 million at the end of 2018.

VALUE AT RISK FROM THE TRADING PORTFOLIOS

(in EUR million) **VaR (10 days, 99%)**	**2018**	**2019**
Average	1.5	1.4
End of period	1.7	1.0
Maximum	1.9	2.9
Minimum	1.2	0.8

Sensitivity of the evolution of credit margins of banking portfolios classified at fair value

The portfolio classified at fair value through equity consists of securities and loans and has a sensitivity to an increase in credit spreads of EUR -2.1 million as at 31 December 2019 compared to EUR -2.8 million as at 31 December 2018 (EUR -2.7 million excluding activities held for sale – DKD). In addition, the portfolio classified at fair value through profit or loss due to its "non-SPPI" characteristic, also composed of securities and loans, shows a sensitivity to an increase in credit spreads of EUR -1.7 million as at 31 December 2019 against EUR -2.3 million as at 31 December 2018 (EUR -1.9 million excluding activities held for sale – DKD). The decrease in the sensitivity of the fair value of the portfolios results from the acceleration of sales within the portfolio and natural amortisation.

Transformation risk

Dexia's asset and liability management (ALM) aims to reduce liquidity risk as far as possible, and to limit exposure to interest rate and foreign exchange risk.

Management of interest rate and exchange rate risk

Measurement of interest rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% parallel shift on the yield curve. The sensitivity of the net present value of the positions measured in accrued interest to a movement in interest rates is the main indicator for measuring risk and for setting limits and monitoring risks.

The overall and partial sensitivities by time bucket are the main risk indicators used by the ALM Risk Committee, organised within the ALCO, to manage risk. The Dexia Group's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia's assets and liabilities after hedging for interest rate risk.

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The sensitivity of long-term ALM was EUR -27.7 million as at 31 December 2019, against EUR -14.1 million as at 31 December 2018. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2018	2019
Sensitivity	(14.1)	(27.7)
Limit	+/-80	+/-80

Measurement of exchange risk

With regard to foreign exchange, the ALCO decides on the policy for hedging foreign exchange risk generated by the existence of assets, liabilities, income and expenditure in foreign currencies. Also subject to regular monitoring are:
• The structural risks linked to the funding of holdings in foreign currencies;
• Elements liable to increase the volatility of the solvency ratios of the Group or its entities.
Structural exchange positions are subject to strict limits below which a systematic hedge policy is applied.

Management of liquidity risk

Dexia's policy for managing liquidity risk

Dexia's main objective is to manage the liquidity risk in euros and in foreign currencies for the Group, as well as to monitor the cost of funding so as to optimise the Group's results and to minimise volatility.
The liquidity management process aims to optimise the coverage of the Group's funding requirements taking into account the constraints to which it is exposed. Funding requirements are assessed, taking existing transactions into account as well as planned on and off-balance-sheet forecasts.
Dexia has a liquidity buffer, consisting of deposits with central banks and liquid assets on the repo market, enabling it to deal with stressed situations for at least one month without the need to take contingency measures. To manage the Group's liquidity situation, the Management Board regularly monitors the conditions for funding transactions on the market segments on which Dexia operates. It also guarantees proper execution of the funding programmes put in place. To that end, a specific and regular mode of information has been introduced:
• A daily and weekly report is provided to members of the Management Board, the State shareholders and guarantors and the supervisory authorities. This information is also used by all parties involved in managing the Dexia Group's liquidity position, in particular the Finance and Risk activity lines in charge of these topics, and the Funding and Markets activity line;
• A twelve-month funding plan is sent monthly to the State shareholders and guarantors, central banks and the supervisory authorities;
• A fortnightly conference call is held with the supervisory authorities and (European, French and Belgian) central banks.

Measurement of liquidity risk

The Dexia Group posted a consolidated LCR ratio of 238% as at 31 December 2019, against 202% as at 31 December 2018, in line with these requirements. This ratio is also respected at subsidiary level, each exceeding the required minimum of 100%.

Operational risk and IT systems security

Dexia policy on the management of operational risk and IT systems security

Dexia's policy regarding operational risk management consists of regularly identifying, measuring and assessing the various risks and implementing corrective actions or improvements to reduce the most significant operational risks. This system is supplemented by a prevention policy in particular covering IT security, business continuity and, when necessary, the transfer of certain risks via insurance.

Measuring and managing risk

Operational risk management is identified as one of the pillars of Dexia's strategy, within the context of its orderly resolution. This risk is monitored within the framework of the standard approach determined by the Basel regulatory methodology. Under this methodology, information relating to the operational risk must be transferred to the managers in charge of monitoring this risk, and the tasks identified as critical must be monitored.
The operational risk management system relies on the following components:
• Database of operational risks: the systematic capture and monitoring of operational incidents is one of the most important requirements of the Basel Committee. Fulfilling its regulatory obligations, Dexia has put a system in place to list operational incidents and to gather specific data. The information gathered enables it to improve the quality of its internal control system. Over the last three years, 99% of losses under the Basel definition originated from the category "Execution, Deliveries and Process Management". The other categories ("Customers, Products and Business Practices", "Failure of Systems or IT Infrastructure" and "External Fraud") represent 54% of the total number of incidents but less than 1% of total losses. Most operating incidents are declared on a failure of a business line process, an incident the direct cause of which is often a failure in the correct operation of IT systems
• Risk self-assessment and control: as well as building a history of losses, Dexia's exposure to key risks is determined via a risk mapping exercise, which is performed on a regular basis. All Dexia Group entities conduct risk self-assessment exercises that take into account existing controls, thus providing an overall view of all the areas of risk within the Group's various entities and businesses. The overall mapping is presented each year to the Management Board. Actions to limit risk may be defined where applicable.
• Definition and monitoring of action plans: remedial actions are defined to avoid major incidents recurring, to correct deficient controls or to reduce important risks identified. Regular monitoring is carried out by the operational risk management function. This process allows the internal control system to be constantly improved and risks to be reduced appropriately over time.
• *Key Risk Indicators* (KRI) : KRI have been developed and enable the Risk Committee to monitor the evolution of the principal risks identified in the Risk Appetite Framework.
• IT security management: the IT security policy and the associated instructions, standards and practices are aimed at ensuring that Dexia's IT assets are secure.

• Business continuity management: all the activities take place in a secure environment. The business lines establish impact analyses for vital activities in the case of disaster or interruption. They define and then regularly update recovery.
Dexia applies the Basel standard approach provided in the Basel regulatory framework to calculate regulatory capital for operational risk management..

Management of operational risk during the period of resolution

In 2019, the Dexia Group continued to adapt its structure and its operational processes to its mandate of orderly resolution. This resolution phase is by its nature propitious to the development of operational risks, particularly from elements such as the departure of key individuals, possible demotivation among staff members, or changes to treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phase but should in the medium term guarantee the bank's operational continuity and limit the operational risks associated with systems, processes and people.
Within the framework of the agreements to outsource IT and back-office services as well as the IT infrastructure which binds Dexia and Cognizant, risks monitoring is performed by the Dexia Risk Management department for the governance of operations and risks via joint Dexia / Cognizant committees. The Watchtower team, introduced within Dexia, is responsible for checking the provision and quality of the services provided by Cognizant, whilst the effective supervision of outsourced activities is performed by the Internal Control of the Dexia and Cognizant entities. In particular, a specific projects programme was launched by Dexia and Cognizant to achieve the objectives defined in the outsourcing agreement regarding IT systems security. Finally, a quarterly report is produced to monitor the operational risks associated with strategic projects and to ensure that corrective actions are implemented to reduce the most significant risks.
Furthermore, at Dexia, psycho-social risks are carefully monitored, accompanied by prevention and assistance actions.

More detailed information on the actions taken by Human Resources to mitigate operational risk is provided in the chapter entitled "Non-financial declaration. Corporate, social and environmental responsibility" in this annual report.

Stress tests

Stress tests and scenario analyses

In line with the final versions of the European Banking Authority (EBA) *guidelines 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 – *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 risks, market and exchange risks, liquidity risks, rate risks specific to banking portfolios (excluding the trading portfolio), operational risks including legal risks and concentration risks.
In addition to the stress tests performed within the framework of the ICAAP/ILAAP described below, Dexia has principally developed:
• Specific credit stress tests for the main asset classes. In particular, within the framework of Basel Pillar 1, the credit exposures covered by internal rating systems were subjected to sensitivity tests, of macroeconomic, historic 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.
Those stress tests were approved internally and forwarded to the supervisory authorities on various occasions in 2019, in addition to the formal documentation of the ICAAP and ILAAP.
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 2019 annual exercise was forwarded to the European Central Bank.
The ICAAP stress tests form an integral part of the bank'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 resolution plan and the ICAAP and ILAAP stress tests

is also guaranteed by specific consumption and capital adequacy indicators forming part of the RAF. The stress tests are subject to internal analysis by internal validation.

Litigation

Like many financial institutions, Dexia is subject to several regulatory investigations and is named as a defendant in a number of lawsuits. Unless otherwise indicated, the status of such disputes and investigations is summarised below as at 31 December 2019 and based on information available to Dexia on that date.

On the basis of this information, other disputes and regulatory investigations in which an entity of the Dexia Group is named as a defendant and regulatory investigations impacting the Group entities are either not expected to have a material impact on the Group's financial position or it is too early accurately to assess whether they may have such an impact.

The consequences, as assessed by Dexia in accordance with the information available to it on the aforementioned date, of the principal disputes and investigations liable to have a material impact on the Group's financial position, performance or activities are reflected in the Group's consolidated financial statements. Provisions have been booked when deemed necessary.

Dexia Nederland BV

General context

Dexia's Dutch subsidiary, Dexia Nederland BV (DNL) is still facing a major dispute involving several legal proceedings brought by clients who signed share leasing agreements. Over the years, DNL has closed ongoing legal proceedings and disputes with most clients. At the end of 2019, several customers (about 11,500) were still opposing the compensation system resulting from the decisions of the Amsterdam Court of Appeal and the Supreme Court. However, DNL continues to attempt to reduce the number of outstanding claims by entering into out-of-court settlements and asking the courts to confirm that DNL has fulfilled its obligations to the affected customers. In 2019, the Supreme Court confirmed that DNL has a general interest in seeking such confirmation. Very recently, DNL has intensified its out-of-court settlement efforts with its former customers and is actively seeking optimal solutions to take into account the specific features of each individual situation.

The main issues raised by the litigation

Duty of care

As stated in Dexia's previous annual reports, in 2009 the Dutch Supreme Court made a distinction between two categories of customers: those for whom the agreement in question represented an acceptable financial burden and those for whom the agreement represented an unduly heavy financial burden.
Other decisions of the Dutch Supreme Court and the Court of Appeal in Amsterdam clarified the manner in which these cases should be assessed in practice. When an intermediary was involved, the Supreme Court also decided in 2016 that, meeting certain conditions, plaintiffs were authorised to apply for higher compensation. This principle was confirmed again by the Dutch Supreme Court in 2018. The final outcome of the cases in question remains dependent on the ability of the plaintiffs to prove before the courts that certain due diligence obligations have not been fulfilled. In 2019 the Supreme Court decided that the aforementioned principle is not applicable if the plaintiff has been advised by (an adviser employed by) DNL. Other cases concerning the role of intermediaries and due diligence obligations which have not been fulfilled by DNL are still pending before the Supreme Court of the Netherlands.

Spousal consent cases

As stated in Dexia's previous annual reports, in 2008 the Dutch Supreme Court ruled that written consent is required from the lessee's spouse (or registered partner) when entering into a lease agreement. If such consent is not obtained, the spouse is authorised to cancel the agreement. Other rulings by the Supreme Court have specified that such cancellation must occur within three years following the signature of the agreement or the time when the spouse became aware of the existence of the said agreement, subject to any suspension applicable, and provided that an opt-out was introduced at the time of the collective settlement.

Number of cases still ongoing

As at 31 December 2019, DNL was still involved in some 1,500 civil proceedings (the same number as at the end of 2018). They were mainly concerned with questions of the duty of care.
At present, Dexia is unable reasonably to predict the duration and outcome of these proceedings, and their potential financial repercussions.

Klachteninstituut Financiële Dienstverlening (KiFiD)

At the end of 2019, seven cases related to share leasing were still being considered by the *Klachteninstituut Financiële Dienstverlening* (KiFiD), the Dutch institution tasked with handling complaints concerning financial services (against 12 at the end of 2018). They relate principally to duty of care questions.

Dexia Crediop

Like other Italian banks, Dexia Crediop is involved in legal proceedings in Italy and in the UK regarding (i) hedging transactions (which required recourse to derivative instruments such as swaps) entered into in connection with debt restructuring and/or funding transactions with local authorities as well as (ii) other non-hedging type transactions.
As indicated in earlier annual reports, In 2017, the Court of Appeal in London issued a judgment in the Prato case by means of which the Court confirmed (i) the validity of derivative contracts entered into by Dexia Crediop, (ii) that Prato had full capacity to enter into the derivative contracts and (iii) that the margin applied to the derivative contracts was necessary to cover its risks and expected costs. Prato was ordered, inter alia, to reimburse the legal costs of Dexia Crediop and to pay default interest on the unpaid compensation. The Supreme Court confirmed the decision of the Court of Appeal.

Following these decisions, in 2018 Dexia Crediop and Prato entered into an out-of-court settlement agreement. During 2018, Dexia Crediop entered into other amicable settlements with other parties which expressly confirm the legal, valid and binding nature of the derivative contracts which had been concluded.

Criminal proceedings commenced before the Court of Appeal in Florence concerning the Prato case are still ongoing.

In 2018, Dexia Crediop commenced proceedings in London against the City of Messina, following persistent payment defaults by the latter, justified by the alleged illegality of derivative contracts, despite several decisions by the Italian courts rejecting the client's applications for compensation.

In 2019, Dexia Crediop (as well as another Italian bank) was summonsed to appear by the City of Venice concerning a swap contract concluded in 2007. Dexia Crediop brought an action in London aimed at establishing the complete validity of the swap.

Dexia Crédit Local

Dexia Crédit Local (DCL) is involved in a number of cases brought by local authorities to which it had granted structured loans. As at 31 December 2019, 23 clients had issued summonses against DCL in connection with structured loans, of which 13 concern structured loans held by the *Société Française de Financement Local* (SFIL), parent company of the *Caisse Française de Financement Local* (CAFFIL). 8 concern structured loans held by DCL and 2 concern both institutions.

On 28 March 2018, the French Supreme Court validated the favourable decision of the Court of Appeal of Versailles reforming the judgment of the Tribunal de Grande Instance of Nanterre concerning structured loans held by CAFFIL and confirmed the validity of these structured loans, which were not qualified as "financial and speculative products". The Supreme Court also decided that DCL assumed no liability for the sale of such structured loans.

As explained in previous annual reports, DCL was also summoned concerning loans granted to private law entities and for which the courts continue to annul clauses linked to the interest rate of the loan in view of the absence of reference to the Annual Percentage Rate (APR) in the fax confirmation prior to conclusion of the loan contract. Various decisions have been taken by the courts in these cases.

On 17 July 2019, an order of the French government amended the penalty regime applicable in the event of absence or error in the overall effective rate by abolishing the automatic conversion of this rate into the legal interest rate. This last amendment could have an impact on the ongoing litigation.

Despite the developments explained above, DCL is currently not reasonably in a position to comment on the duration or outcome of the investigations and actions still in progress, or on their possible financial consequences.

Alleged shortcomings regarding financial communication

Dexia was named as a defendant in a small number of civil cases alleging shortcomings in its financial communication. Whilst all those cases have been successfully closed in favour of Dexia, one case is still pending before the Brussels Court of Appeal. Dexia strongly denies the claims put forward by the plaintiffs and won the case in first instance. Despite the positive developments, at present Dexia is unable reasonably to predict the duration or outcome of the remaining investigations and legal proceedings in progress, or their potential financial repercussions.

The investigation opened against Dexia concerning allegations of market abuse regarding its financial communication during the financial crisis was closed in 2019 and no charges were brought by the Court against Dexia and/or its (former) executives.

Claims for compensation resulting from the disposal of the Group's operational entities

Over recent years, Dexia has implemented its programme of disposal of operating entities.

As is customary in these types of transactions, the share sale agreements in relation to these disposals include declarations and warranties on the part of the vendor, subject to the usual restrictions and limitations for these types of transactions. Therefore, should a purchaser make a call on the warranty in connection with an issue affecting the entity sold, which originated prior to completion of the sale of the shares in that entity, Dexia may, under the terms of the sale agreement, be required to indemnify the purchaser.

These applications for compensation have been made in relation to certain disposals made by Dexia in the past, particularly within the context of the disposals of Banque Internationale à Luxembourg, DenizBank and Dexia Kommunalbank Deutschland. Dexia nonetheless contests the majority of these claims.

At present Dexia is unable reasonably to predict the duration or outcome of these applications, or their possible financial consequences.

Information on capital and liquidity

The Dexia Group's three strategic objectives are to protect the Group's capital base, to ensure continued access to liquidity for the duration of its resolution process and to manage its operational risks.

Share capital

Information on Dexia's share capital as at 31 December 2019

As at 31 December 2019, Dexia's share capital amounted to EUR 500,000,000.
Since the shareholders' meeting held on 7 December 2017, it has been represented by 420,134,302 registered shares with no par value, each representing 1 / 420,134,302nd of the share capital.

Delisting of the Dexia share on the regulated market of Euronext Brussels in 2019 and cancellation of dematerialised shares

At the Extraordinary Shareholders' Meeting held on 16 October 2019, the shareholders approved the proposal to withdraw Dexia shares from trading on the regulated market of Euronext Brussels. Since 2 December 2019, the Dexia share is no longer listed on Euronext Brussels.
The dematerialised form of Dexia shares has also been cancelled and Dexia shares are now exclusively registered. It is incumbent upon holders of dematerialised shares to request the entry of their shares in Dexia's register of registered shares.

More detailed information on the delisting of the Dexia shares is provided in the chapter "Highlights" in this annual report.

Authorised capital (Article 7:198 of the Companies and Associations Code)

Article 6 of the articles of association states that the amount of authorised capital is at any time equal to the amount of the share capital. As at 31 December 2019, the authorised capital represented EUR 500,000,000. The authorisation to increase the authorised capital granted by the shareholders' meeting on 15 May 2019 is valid for a five-year period ending in 2024.

Acquisition and disposal of own shares (Article 7:215 of the Companies and Associations Code)

The Extraordinary Shareholders' Meeting on 16 May 2018 renewed the authorisation given to the Board of Directors for a new five-year period:
- To acquire the company's own shares, meeting the conditions provided by the Law and the undertakings made by the company and the Belgian, French and Luxembourg States with regard to the European Commission,
- To dispose of the company's own shares, without prior authorisation from the shareholders' meeting under the conditions provided in Article 7:218 of the Companies and Associations Code.
- To authorise the direct subsidiaries within the meaning of Article 7:221 of the Companies and Associations Code to acquire the company's shares under the same conditions.

The Board of Directors nonetheless launched a programme to repurchase own shares in 2019.
As at 31 December 2019 the unchanged balance of the portfolio of own shares amounted to 324 own shares and corresponds to the number of Dexia shares still held by Dexia Crédit Local (a direct subsidiary of Dexia within the meaning of Article 7:221 of the Companies and Associations Code), within the framework of a share option plan introduced by that subsidiary in 1999.

Prudential equity and solvency

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 as from 1 January 2020

The European Central Bank (ECB) informed the Dexia Group of the qualitative and quantitative prudential requirements with regard to solvency applicable to Dexia and its subsidiaries, on a consolidated basis, as well as its Italian subsidiary Dexia Crediop as from 1 January 2020, in accordance with Council Regulation (EU) 1024/2013 dated 15 October 2013.

These requirements are based in particular on the conclusions of work carried out by the ECB within the framework of the Supervisory Review and Evaluation Process (SREP)[1].

The Total SREP Capital Requirement (TSCR) has been set at 11.25% on a consolidated basis. This level includes a minimum own funds requirement of 8% (Pillar 1) and an additional own funds requirement of 3.25% (P2R – Pillar 2 Requirement) required entirely in Common Equity Tier 1 capital (CET 1). By including the capital conservation buffer of 2.5%, as well as the countercyclical buffer relating to exposures in France and the United Kingdom, estimated at 0.50%[2], this takes the own funds requirement to 14.25%. By way of a reminder, in 2019, the level of Total SREP Capital Requirement applicable to Dexia was set at 13.85% (including the capital conservation buffer).

Furthermore the ECB expects Dexia to comply with Pillar 2 capital guidance (P2G) of 1%, to be held over the level of 14.25% and to be made up entirely of Common Equity Tier 1 capital (CET 1).

As a consequence, the minimum level of the CET1 ratio goes to 11.75%, taking account of P2G.

The ECB further informed Dexia, within the context of convergence towards the general supervisory framework, that the Group must observe the large exposures ratio, as any other bank, as from 1 July 2020. To recall, within the framework of the specific approach granted by the ECB, until then Dexia benefitted from a tolerance which allowed it to deduct from its CET1 regulatory capital the economic impact which might be generated by remediation on a failure to comply with the constraint regarding large exposures on "Legacy" credit exposures [3].

In response to the global crisis caused by the Covid-19 coronavirus outbreak, on 12 March 2020 the ECB announced a temporary easing of capital requirements under the SREP. These measures are reflected in the relaxation of the capital conservation buffer and additional capital (P2G – Pillar 2 guidance). In conjunction with the ECB's announcement, the national authorities also proceeded to zero the countercyclical buffer.

These temporary measures thus bring the SREP capital requirement for Dexia to 11.25% on a consolidated basis.

Prudential equity

Total Capital can be broken down as follows:

- Common Equity Tier 1 capital, including in particular:

– share capital, issuance premiums and retained capital,

– profits for the year,

– gains and losses directly recognised in equity (revaluation of financial instruments at fair value through equity, revaluation of cash flow hedge derivatives, translation adjustments, actuarial differences on defined benefit plans),

– the eligible amount of non-controlling interests,

– after deduction of intangible assets, goodwill, accrued dividends, own shares, the amount exceeding thresholds provided with regard to deferred tax assets and for holding shares and interests in credit or financial institutions, irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, the amount for persistent breaches of the large exposure constraint and elements subject to prudential filters (own credit risk, Debit Value Adjustment, cash flow hedge reserve, Prudent Valuation) and additional prudential provisions.

- Additional Tier 1, including Tier 1 subordinated debt (hybrid);
- Additional Tier 2 Capital, which includes the eligible portion of Tier 2 subordinated debt as well as surplus provisions on the level of expected losses, reduced by the surplus amount of thresholds provided with regard to holding subordinated debt issued by financial institutions.

In accordance with regulatory requirements and applicable transitional provisions:

- Dexia uses a dynamic approach to mitigating the impact of the new IFRS 9 provisioning model on prudential capital. This is spread over five years. The effect of increasing provisions for expected credit losses in view of the application of the IFRS 9 accounting standard was 95% in 2018 and 85% in 2019.
- Certain adjustments on subordinated and hybrid debt are taken into consideration in the calculation of capital in order to reflect the loss-absorption characteristics of these instruments.

The Group's Total Capital amounted to EUR 7.4 billion as at 31 December 2019, against EUR 8.3 billion as at 31 December 2018.

As at 31 December 2019, Dexia Group's Common Equity Tier 1 Capital amounted to EUR 7.3 billion, against EUR 8.1 billion as at 31 December 2018. They are burdened by the negative net income for the year (EUR -898 million).

In line with the requirements of the European Central Bank, two items are deducted from prudential capital in a total amount of EUR -138 million:

- The theoretical amount of the loss corresponding to the remediation of the persistent breach of the large exposure ratio limit, which amounts to EUR -89 million; ;
- The amount of irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, which amounts to EUR -49 million.

Furthermore, following the ECB's on site inspection of credit risk in 2018, the ECB issued a number of recommendations. As a consequence, Dexia deducted an amount of EUR -80 million from its prudential equity as a complement to specific provisions.

As at 31 December 2019, the nominal amount of the Group's hybrid Tier 1 securities amounts to EUR 96 million, of which EUR 28.8 million are eligible as additional Tier 1.

(1) Cf. Dexia press release dated 24 January 2020, available at www.dexia.com.
(2) Applicable as from the second half-year 2020, take into account the countercyclical buffer relating to the French exposures
(3) Cf. Dexia press release dated 5 February 2018, available at www.dexia.com.

PRUDENTIAL EQUITY

(in EUR million)	31/12/2018	31/12/2019
Total Capital	**8,278**	**7,404**
Common Equity Tier 1 Capital	**8,119**	**7,308**
Core shareholders' equity, of which:	8,365	7,659
Gains and losses on financial instruments directly recognised in equity, eligible at a prudential level (1)	*(227)*	*(141)*
Translation differences – Group	*88*	*102*
Actuarial differences on defined benefit plans	*0*	*(5)*
Non-controlling interests (eligible in Tier 1)	*148*	*0*
Mitigation of the effect of the increase of expected credit losses following the application of IFRS 9 (95% in 2018, 85% in 2019)	168	150
Items to be deducted		
Intangible assets and goodwill	*(37)*	*(29)*
Ownership of Common Equity Tier 1 instruments in financial institutions (>10 %)	*0*	*0*
Own Credit Risk, (OCR)	*0*	*0*
Debit value adjustment	*(52)*	*(41)*
Prudent Valuation	*(227)*	*(212)*
Deduction of irrevocable payment commitments to resolution funds and other guarantee funds	*(47)*	*(49)*
Additional prudential provisions	*0*	*(80)*
Deduction for persistent breaches of large exposure constraint	*(60)*	*(89)*
Additional Tier 1 capital (hybrids)	**38**	**29**
Subordinated debt	38	29
Items to be deducted		
Ownership of additional Tier 1 instruments in financial institutions (>10 %)	*0*	*0*
Additional Tier 2 Capital	**121**	**67**
Subordinated debt	58	67
Of which additional Tier 1 reclassified (hybrids)	*58*	*67*
Provision excess (+)	63	0
Items to be deducted		
Ownership of Tier 2 instruments in financial institutions (>10 %)	*0*	*0*

(1) 2018: Revaluation reserve of financial assets at fair value through equity, cash flow hedge reserve and gains and losses directly recognised in equity for assets held for sale.

No hybrid debt repurchase was carried out during 2019, in line with the ban imposed by the European Commission and communicated by Dexia on 24 January 2014[(1)]. 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 securities (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 2019, the amount of Dexia's additional equity (Tier 2 Capital) amounted to EUR 67 million, including 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 authorised 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.

On 27 September 2019, the European Commission confirmed its approval of the prolongation by the Belgian and French States of the funding guarantee granted to Dexia Crédit Local for a new term of 10 years as from 1 January 2022. The commission which Dexia would pay to the States in the case of liquidation by virtue of remuneration for the guarantee could absorb the net proceeds of the liquidation of Dexia, with the result that the holders of Dexia and Dexia Crédit Local hybrid Tier 1 debt would receive no proceeds.

More detailed information on the prolongation of the State guarantee is provided in the chapter entitled "Highlights" in this annual report.

(1) Cf. Dexia press release dated 24 January 2014, available at www.dexia.com.

Risk-weighted assets

As at 31 December 2019, risk-weighted assets amounted to EUR 27.3 billion, of which EUR 23.1 billion for credit risk, EUR 3.2 billion for market risk and EUR 1 billion for operational risk. The sharp fall of EUR -5.6 billion of credit risk-weighted assets, associated with the acceleration of asset sales, is partially offset by an EUR +2.5 billion increase of market risk-weighted assets, due to an additional capital charge applied temporarily on the request of the European Central Bank.

RISK-WEIGHTED ASSETS

(in EUR million)	31/12/2018	31/12/2019
Credit risk	28,670	23,080
Market risk	695	3,183
Operational risk	1,000	1,000
TOTAL	**30,365**	**27,263**

Solvency ratios

As at 31 December 2019, Dexia's Common Equity Tier 1 ratio was 26.8%, against 26.7% at the end of 2018. The Total Capital ratio was 27.2%, against 27.3% at the end of 2018, a level higher than the minimum of 13.85% imposed for the year 2019 by the European Central Bank within the framework of the Supervisory Review and Evaluation Process (SREP).

SOLVENCY RATIOS

(in EUR million)	31/12/2018	31/12/2019
Common Equity Tier 1 Ratio	26.7%	26.8%
Total Capital Ratio	27.3%	27.2%

Internal capital adequacy

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 conclusions of this internal approach in terms of capital adequacy measures and capacities to absorb losses were formally submitted to the bank's executive bodies on a quarterly basis in 2019 within the framework of the Risk Appetite Framework (RAF) and within the framework of the less frequent internal assessments such as (i) the ICAAP and the ILAAP, (ii) the remedial deleveraging plan (RDP) and (iii) ad hoc analyses to support strategic choices. The horizons of the analysis processes vary from one to three years.

ICAAP and ILAAP stresses form an integral part of these analyses. In fact, within the framework of the Single Supervisory Mechanism (SSM), this approach known as "Risks and Capital Adequacy" also constitutes the response given by the Group to the requirements of the European Central Bank (ECB) in relation to the Internal Capital Adequacy Assessment Processes and the Supervisory Review and Evaluation Process (SREP). Inspected by the supervisor in 2016, it has evolved since then to integrate inter alia the recommendations from that inspection. The ICAAP and ILAAP results for 2019 have been examined by the Validation department and Internal Audit.

More detailed information on ICAAP and ILAAP stress tests is provided in the chapter entitled "Risk Management" in this annual report.

The approach consists of establishing an exhaustive map of the qualitative and quantitative risk which might simultaneously affect the Group's accounting and prudential situation as well as its liquidity. Such risk mapping aims primarily to measure the sensitivities and exposures to multiple risk factors impacting the bank. Secondly, the simultaneous impact of various unfavourable future risk scenarios is measured, particularly in terms of the evolution of the principal accounting and prudential indicators. In this regard, and within the same framework, multiple transversal stress tests are performed. Possible departures from financial and strategic plans are thus identified, measured and analysed. These unfavourable scenarios simultaneously include macroeconomic stress scenarios, scenarios simulated mathematically and reverse stress tests.

This internal approach is renewed in 2019, taking account of the evolution of risks, market conditions and multiple exchanges with the supervisor throughout the year 2018.

Liquidity management

As a consequence of the sale of Dexia Kommunalbank Deutschland (DKD) and the reduction of the asset portfolio, outstanding funding decreased by EUR -32.4 billion compared to 31 December 2018, to EUR 73.9 billion on 31 December 2019. At EUR 21.8 billion at the end of December 2019, the amount of net cash collateral remained almost stable, despite high volatility during the year.

The evolution of the funding mix is significant and almost entirely explained by the reduction of secured funding (EUR -24.7 billion against the end of December 2018) due to the sale of the underlying assets and the deconsolidation of DKD, the outstanding covered bonds of which amounted to EUR 13.6 billion as at 31 December 2018. There was also a decrease in unsecured funding (EUR -7.7 billion compared to the end of December 2018) due to a decrease in State-guaranteed funding (EUR -4.9 billion) as a result of the dynamics of asset portfolio reduction and, to a lesser extent, to the deconsolidation of DKD (EUR -1.9 billion). Outstanding amounts of funding guaranteed by the States amounted to EUR 60.5 billion at the end of December 2019, i.e. 82% of the total outstanding funding at that date.

Over the year, Dexia Crédit Local successfully launched various long-term public transactions in euros, US dollars and pounds sterling, raising EUR 7.1 billion at a competitive funding cost. Short-term funding activity in guaranteed format was also sustained, with an average maturity at issue of 7 months.

The Group has not used central bank funding since September 2017.

As at 31 December 2019, the Dexia Group has a liquidity reserve of EUR 19.4 billion, of which EUR 9.8 billion in the form of cash deposits with central banks.

On the same date, the Group's Liquidity Coverage Ratio (LCR) stood at 238% against 202% as at 31 December 2018. This ratio is also respected at the level of the subsidiaries, each exceeding the required minimum of 100%. The Group's Net Stable Funding Ratio (NSFR), estimated on the basis of the latest proposed amendments to the LCR, would be above the target threshold of 100%, as a result of the efforts undertaken by the Group since 2013 to improve its funding profile.

Non-financial declaration
Corporate social responsibility

Dexia Group CSR approach / methodology

The present corporate social responsibility (CSR) report is a part of the Dexia Group sustainable development approach in place since 2001 and the reports on which, over recent years, have been drawn up by the Group's operating entities.
This CSR report is drawn up in application of the Law of 3 September 2017, relating to the publication of non-financial information and information regarding diversity in certain large companies and groups, transposing Directive 2014/95/EU. The CSR risk analysis and the drawing up of the present report are performed in line with OECD guidelines for multinational companies. The scope of this report corresponds to the consolidated financial scope of Dexia.

Dexia Group activities

As indicated in the section of the Annual Report entitled "Group Profile", Dexia is implementing the orderly resolution plan validated by the European Commission in December 2012. This implementation is reflected in particular by:

• the fact that the Dexia Group is no longer commercially active and is fully involved in the management of its asset portfolio in run-off. The Dexia Group no longer has new clients, no longer grants new financing and no longer supports new projects. Moreover, it has adopted a dynamic policy for the reduction of its portfolio and its risks. When the macroeconomic environment allows, Dexia accelerates its asset disposals;

• the gradual and constant reduction of the Group's scope, which is reflected by the centralisation of its activities, the closure and disposal of subsidiaries and branches, and the outsourcing of certain production activities.

The orderly resolution has direct consequences in terms of impact on the Dexia Group's corporate social responsibility:

• The Dexia Group faces increased risks on social and staff matters, and accompaniment measures have been implemented by the Dexia Group to limit and to manage those risks.

• The risks regarding human rights and environmental matters, which are already limited for financial institutions with no industrial activity, are even more so for Dexia in the absence of any new commercial activity.

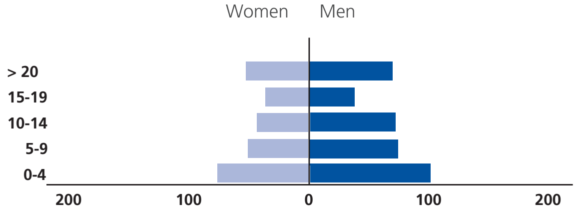
Having regard to indirect CSR risks, Dexia ensures the observance by its subcontractors and its suppliers of its CSR commitments by systematically adding clauses in contracts concluded or by the signature of the Charter of Professional Ethics.
As for clients and projects financed, on the other hand, it is not possible to adopt a policy aimed at only funding projects which take account of CSR issues, for instance ecologically friendly projects, since Dexia no longer has new clients. For existing projects, the Dexia Group is obliged to meet its contractual undertakings until their term, irrespective of the corporate, environmental and social nature thereof. Finally, within the framework of implementation of its policy to reduce its portfolio and its risks, the Dexia Group must deal with strict financial, accounting and regulatory constraints which do not allow it to consider CSR criteria as a priority.

Social and staff questions

Introduction

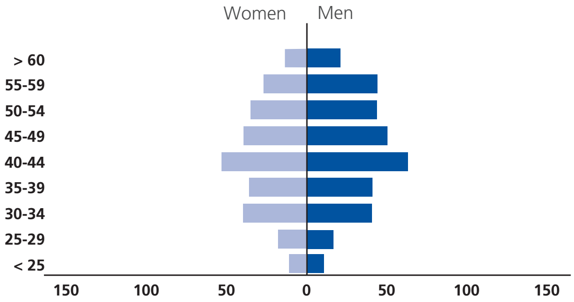
At the end of 2019, the Dexia Group had 606 staff members, of 29 different nationalities, in 8 countries. 56 people are based in Belgium. In France, the total workforce of Dexia Crédit Local was 407 as at 31 December 2019, against 430 at the end of 2018. The decline of the workforce in France is principally linked to the disposal of Dexia Kommunalbank Deutschland and the implementation of the transformation of the Dexia Crédit Local branch in New York. Almost 50% of staff members joined the Group less than ten years ago and Dexia hired 78 new staff members in 2019 (+13%).

SENIORITY PYRAMID AS AT 31 DECEMBER 2019



At the end of 2019, the average length of service of Group staff members was 11.9 years. The average age was 44.2 years.

AGE PYRAMID AS AT 31 DECEMBER 2019



The overall split of the workforce between men and women was 56.4% and 43.6% respectively.
96% of the workforce are on indefinite-term contracts and 8% of Group staff members work part-time.

BREAKDOWN OF STAFF MEMBERS PER ESTABLISHMENT

	2018	2019
Dexia	57	56
Dexia Crédit Local France (excluding seconded/expatriated staff members)	430	407
Dexia Crediop	86	77
Dexia Kommunalbank Deutschland	75	0
Dexia Crédit Local, New York branch	91	42
Other establishments	34	24
TOTAL	773	606

BREAKDOWN OF STAFF MEMBERS PER GEOGRAPHIC AREA

	2018	2019
France	430	407
Belgium	57	56
Spain and Portugal	10	0
Italy	86	77
Germany	75	0
North America	91	42
Other countries	24	24
TOTAL	773	606

The orderly resolution plan implemented since 2012 has significant social consequences which Dexia wishes to anticipate in the best possible manner. Indeed, the Group principally faces difficulties in the recruitment and retention of staff, logically reflected by a high turnover. On the other hand, in view of its constant transformation, it must ensure the flexibility and employability of its staff members, in order for them to continue to fall within a development and mobility scheme.
The maintenance of a calm social climate is a major objective in the pursuit of an orderly resolution whilst ensuring the observance of the undertakings made by the States vis-à-vis the European Commission in December 2012.
Indeed the management seeks to increase the attractiveness of Dexia, to value professional opportunities within the Group and to guarantee staff members the best possible visibility concerning job prospects. Training and the development of individual and collective skills are two of the fundamental lines of this scheme.

Policies put in place

Training policy

Dexia seeks to offer all of its staff members an environment in which each of them is able to develop their skills so as to contribute to the Group transformation and to improve their own employability.
A great many training and development opportunities are offered to every staff member, in close collaboration between the Human Resources department, the heads of departments and direct managers. Dexia thus seeks to develop the expertise of each of them in phase with the evolution of the different business lines, a gauge of performance and employability. Whilst a training plan common to Dexia and Dexia Crédit Local Paris is in force, each Group subsidiary defines its own training actions so as to adapt appropriately to the local situation and requirements.
The comparison of training figures between entities is not very relevant to the extent that the definition and rules applicable to training differ from one country to another.
In 2019, following on from previous years, the Human Resources department structured its actions around six training lines:

- assistance with change within Dexia’s specific context;
- assistance in dealing with developments in business lines and/or mobility, by the identification of paths between business lines and the implementation of development actions fostering mobility between business lines and, thus, employability;
- ongoing detection and prevention of psychosocial risks with a focus on well-being at work;
- strengthening managerial and collaborative skills;
- implementing regulatory mechanisms, agreements and major steps taken by the company;
- assisting senior staff members with the aim of keeping them in employment.

These lines form a training catalogue available in a new tool which allows each staff member and manager to monitor their actions and training requests in real time.
In 2019, 105 collective training sessions were held by recognised training bodies and organised in Paris and Brussels. These training actions represent 71 different programmes which accompany the major processes and company agreements, the implementation of regulatory mechanisms, business line training, staff and management development and training linked to employability.
More particularly, certain tailored training actions were organised:

- deploying a training scheme within the framework of the transformation of the Dexia Crédit Local branch in New York;
- improving training in foreign languages (French, Dutch, English and Spanish) within the context of the repatriation of certain international activities and with the aim of developing the employability of staff members;
- developing training actions leading to obtaining certification;
- assisting with the reorganisation of teams via tailored team-building;
- numerous individual coaching actions.

In addition to these collective training sessions, other training or information actions were dispensed internally by colleagues, consultants or service providers. These actions are the object of specific supervision. Finally, to meet the needs of business lines, staff members have the opportunity to register individually for training and conferences run by external training bodies.
To illustrate this, the number of hours of training in 2019, all training combined (training, conferences, seminars) was 7,285 for Dexia and Dexia Crédit Local.
The Human Resources department made an analysis which resulted in the reshaping of the existing training offer.
Dexia set itself the aim of providing real-term answers to all those involved in the company by offering:
• means of training which fall more easily within the everyday life of everyone;
• more attractive programmes;
• certifying programmes;
• skills pathways;
• the opportunity to learn more languages.

Internal mobility, recruitment and skills development

Internal mobility and recruitment

Within the framework of its resolution, Dexia offers specific professional opportunities, presenting a wide variety of tasks and a complete overview of banking business lines.
The Group has thus provided increased support this year to internal mobility, in order to promote skills development.
A careers committee, consisting of members of management and representatives of human resources was created six years ago to promote the development of internal talents. The committee meets on a quarterly basis and encourages the internal mobility of staff members as a priority over seeking external candidates. All requests for internal mobility made by any staff member or manager (change of activity line, business line and so on) are studied with great care. The careers committee may also suggest mobility options which have not been requested, so as to foster the maintenance of skills within the Group.
When the skills sought are not available internally, the Group has undertaken a proactive and selective strategy for seeking candidates externally. Recruitments are managed at entity level. Considering their size and their recruitment volume, the majority of Group subsidiaries have chosen to outsource their recruitment activities in order optimally to meet skills requirements internally. Within Dexia and Dexia Crédit Local, the entire recruitment process is managed internally by a dedicated team. A new IT platform allows the effective monitoring of internal and external applications. With a view to external recruitments, the team relies both on different CV libraries and on a solution enabling job advertisements to be disseminated by several channels simultaneously and for applications to be processed on line.
In order to optimise its activities and to develop its attractiveness to applicants, in 2019 Dexia strengthened its partnerships with recruitment sites or actors (cadremploi, Efinancial, jobteaser).

STAFF MOVEMENTS OVER THE ENTIRE GROUP

	2018	2019
Indefinite-term contract hiring	52	41
Individual redundancies of staff members on indefinite-term contracts	8	7
Economic redundancies of staff members on indefinite-term contracts	71	74
Resignations by staff members on indefinite-term contracts	61	37
Shifts fixed-term to indefinite-term contracts	3	5
Fixed-term contract hiring (including work-study contracts)	36	29
Fixed-term redundancies	0	0
Fixed-term resignations	3	1
End of fixed-term (including work-study contracts)	24	28
Indefinite-term contracts transferred to Cognizant	81	0
Closure of Dexia Madrid	0	9
Disposal of Dexia Kommunalbank Deutschland	0	74
Disposal of Dexia Israel	46	0
Other	16	14

The 14 other departures correspond to mutations within the Group, retirements, contractual terminations, ends of trial periods, departures and arrivals linked to expatriation.

Skills development

Through their contribution, staff members enable Dexia to perform its task for its shareholders and guarantors. In order to judge the good understanding of the objectives and the quality of that contribution, staff members are assessed annually by their managers through individual interviews. The individual interview is a preferred means of exchange particularly by the staff member and their manager, to go over the past year, to discuss targets for the following year and to review the professional career and the expectations of each of them. Managers are encouraged to set development targets for staff members.
Each entity has its own tools and processes to formalise such assessments, observing the specific local features and rules. Within Dexia and Dexia Crédit Local, assessments and annual targets (both business and behavioural) are presented by managers and staff members in a specific tool. In this way, the individual monitoring of each staff member and managerial involvement are increased.
Furthermore, within the framework of professional accompaniment and skills development, the Human Resources department organises regular individual interviews with each staff member the aim of which is to review their professional career and the associated training and, strictly confidentially, to consider their professional prospects. It also enables them to tackle the different aspects of professional life: functional elements, supervision, remuneration, private-business life balance and professional plans.

Prevention of social risks, health and safety

Eager to follow the policy to prevent psychosocial risks adopted several years ago, in 2019 Dexia renewed the mechanisms for assistance and the prevention of psychosocial risks put in place in Paris and Brussels. Several information and feedback vectors currently allow for the detection of those risks within the entities (business partners, the work doctor, social assistants, staff representatives and so on).

As for prevention, a certain number of measures were put in place within the entities, particularly preventive medicine consultations and attendances by work psychologists and/or a social assistant, yoga courses, ergonomic advice and a scheme dedicated to helping staff members leaving the company.

The Dexia Group also regularly organises awareness conferences for staff members concerning psychosocial risks, conferences on well-being and life quality, training and practical workshops on stress management, sleep-stress interactions, sleep and daily performance and so on, as well as coaching sessions.

Situations declared to be stressful are taken in hand and accompanied by different means: interviews with the Human Resources department, coaching measures and psychological support or help in working time management.

The Group and its subsidiaries comply with local regulations in force and apply specific procedures associated with the health and safety of staff members at work. The documents associated with health and safety at work are handed to staff members when they arrive in an entity. These documents are also accessible on local intranets and regularly updated.

The number of work accidents notified at Dexia and in its entities is extremely limited and consequently not significant.

Remuneration policy

The scheme in place within the Group provides that the Dexia Remuneration Committee prepares all matters relating to remuneration policy. Its proposals are then submitted to Dexia's Board of Directors, which decides on the appropriate measures to be taken.

Dexia defines its remuneration policy in observance of the commitments made to the Belgian, French and Luxembourg States and the European Commission within the framework of the Group's orderly resolution plan. In particular Dexia applies the remuneration principles derived within the context of the G20, the national bodies and the CRD IV. The Group ensures that it makes the best use of public funds as regards remuneration. This policy applies to both fixed (non-performance-related) remuneration and any variable (performance-related) remuneration, the general principles of which apply to all staff members. These principles include aligning remuneration policies and practices in order to create a balance between fixed and variable remuneration that does not encourage excessive risk-taking and establishing methods for assessing the relationship between performance and variable remuneration.

In order to comply with rules and recommendations on good governance and sound remuneration practices and to avoid in any way incentivising excessive risk-taking, the Dexia Group has sought to reduce the variable component of remuneration for those of its members of staff who are contractually entitled to variable remuneration. The variable component of remuneration may not exceed 0.3 times an employee's annual fixed remuneration.

The remuneration policy and its implementation are regularly assessed in order to identify provisions which require adaptation particularly in view of the entry into force of new legal or regulatory provisions.

Remuneration paid to the executive body and to persons whose professional activities have a significant impact on the company's risk profile

The Dexia Group remuneration policy contains distinct provisions applicable to a specifically identified population by virtue of their tasks likely to impact the Group's risk profile. This relates principally to members of the Management Board as well as staff members whose remuneration is equivalent to or more than the lowest remuneration paid to a member of the Management Board.

The remuneration of Management Board members now consists solely of a part not linked to performance, constituting a whole from which, unless there is a decision to the contrary by the Board of Directors on a proposal from the Remuneration Committee, there shall be deducted any attendance fee or thirteenth month paid to a member of the Management Board or by a third party company in which a mandate is exercised in the name and on behalf of Dexia.

In accordance with Article 17 of Appendix II to the Law of 25 April 2014 relating to the status and supervision of credit institutions, members of the Management Board of Dexia may not be granted a severance payment of more than 9 months fixed remuneration.

Notwithstanding the above, Dexia may grant a higher severance payment to a member of the Management Board if the person concerned, prior to the grant of the executive mandate, in accordance with the contractual framework in force and on the basis of their accumulated length of service within the Dexia Group, is entitled in such a case to a severance payment of more than the aforementioned payment.

Furthermore, staff members whose professional activities have a significant impact on the company's risk profile having regard to the applicable legal provisions of the CRD IV Directive and the Delegated Regulation (EU) No 604/2014, are entitled in such a case to a severance payment which may not in principle exceed twelve months of remuneration, it being possible however for that amount to reach eighteen months in specific circumstances after approval by the Ordinary Shareholders' Meeting.

More detailed information on the remuneration of the Management Board is provided in the chapter entitled "Governance" in this Annual Report.

Average annual remuneration

An aggregation of remuneration appears irrelevant at a Group level as the attribution and calculation rules differ from one entity to another. The figures relating to remuneration are therefore not communicated.

Dialogue within the company

Social dialogue

All of Dexia's social negotiation bodies meet at various times to consider the Group's financial situation and organisation within the context of the reorganisation and outsourcing projects currently under way.

The Group recognises, fosters and respects freedom of association and the right to collective bargaining. Any staff member may establish or join a union organisation of their choice. Within the framework of the laws and regulations applicable to it, the Group also recognises and respects the right of its staff members, in collective negotiations concerning the work relationship, to be represented by their union(s).

In January 2019 a Social and Economic Committee was established within Dexia Crédit Local.

Policy regarding equality of treatment

Professional gender equality

The Dexia Group follows a voluntary policy aimed at promoting professional gender equality. This is reflected by the adoption of concrete actions in the fields of communication, recruitment, professional training, career-mobility-promotion management, the business and private life balance and remuneration. Indicators enable this policy to be monitored annually.

There is a specific agreement in relation to professional gender equality within Dexia Crédit Local, and an envelope has been renewed with a view to removing any unjustified differences between the remuneration of men and women.

Dexia Crédit Local complies with the new regulations by publishing the gender equality index with the rating of 91/100 for the year 2018.

More detailed information on the diversity policy applied to members of the Board of Directors and the Management Board is provided in the chapter entitled "Governance" in this Annual Report.

Activities of the professional network for women

Created in 2018 on the initiative of a dozen or so female staff members, Dexi'elles, the Group's professional network for women, aims to help women at Dexia to affirm their ambitions and to encourage them to meet together and share their experiences, in order to get to know each other better and to optimise their career development. With around 85 members at the end of 2019, Dexi'elles is at the origin of a certain number of initiatives (conferences with inspiring women, mentoring programme, coffee corners and so on) and increases Dexia's attractiveness as an employer.

Combating other forms of discrimination

The Dexia Group respects all measures in force locally to combat discrimination.

In particular, Dexia promotes and respects the stipulations of fundamental agreements of the International Labour Organisation relating to freedom of association and the right to collective bargaining and the elimination of discrimination at work.

Dexia has staff members of 29 different nationalities and can rely on the expertise of senior profiles: staff members of more than 55 years old represent 18% of the workforce.

Human rights

Dexia carries on its activities respecting human rights. A breach of that undertaking might in particular harm Dexia's reputation and give rise to administrative, legal or criminal penalties. To arm itself against all indirect risks associated with the activities of its suppliers, a charter of professional ethics concerning the relations of the Dexia Group with its suppliers imposes numerous obligations concerning human rights and in particular the obligations:

- not to use or allow its own suppliers or subcontractors to use child (under 15 years) or forced labour;
- to observe all the legislative and regulatory provisions aiming at guaranteeing its staff members safe and certain working conditions and environment observing individual and collective freedoms, in particular regarding the management of work timetables, remuneration, training, union rights, hygiene and safety;
- to observe all the legislative and regulatory provisions on discrimination (whether sexual, ethnic, religious, political or otherwise) in hiring and managing staff;
- in practice not to support any psychological or physical coercion and vexatious or humiliating verbal abuse;
- to observe the provisions of employment law in force both in the hiring of staff and/or during the execution of the contract of employment.

BREAKDOWN OF STAFF MEMBERS BY GENDER

	2018			2019		
	Women	Men	Total	Women	Men	Total
Management Board	2	4	6	1	5	6
Executives	231	306	537	206	275	481
Staff members	113	117	230	57	62	119
OVERALL TOTAL	**346**	**427**	**773**	**264**	**342**	**606**

BREAKDOWN OF STAFF MEMBERS BY AGE AND SOCIO-PROFESSIONAL CATEGORY

	< 25 years	From 25 to 29 years	From 30 to 34 years	From 35 to 39 years	From 40 to 44 years	From 45 to 49 years	From 50 to 54 years	From 55 to 59 years	60 years and +	Overall total
Management Board	0	0	0	0	0	1	1	2	2	6
Executives	5	33	75	62	95	64	58	58	31	481
Staff members	15	1	4	14	22	26	22	13	2	119
OVERALL TOTAL	**20**	**34**	**79**	**76**	**117**	**91**	**81**	**73**	**35**	**606**

In addition, Dexia staff members in charge of purchasing act within a specific code of conduct which sets the rules of behaviour in relation to suppliers and subcontractors.

Fair practices – corruption

Dexia is committed to performing its activities in a healthy and fair environment, in total compliance with all legal and regulatory provisions in force. Dexia will take all necessary measures to prevent corruption, in all of its activities, throughout the Group. Within that context, Dexia has established provisions applicable to all its staff members, but also to all those who work for the Group and those who act on its behalf. This is to prevent corruption and to apply a zero-tolerance policy in this regard. Nevertheless, to the extent that Dexia is managing its balance sheet in run-off, does not have new clients and only enters into business relations with financial counterparties for the funding of its balance sheet, the risk of corruption is considered to be relatively low.
Nonetheless and as is the case for any activity, non-compliance risks exist and to remedy them the Dexia Group has introduced an integrity policy with the objective of:
• promoting honest, open and ethical behaviour; and
• ensuring respect for the laws, regulations and other professional standards, as well as observance of Dexia codes of professional ethics, codes of conduct and other Group policies, in order to enhance and to protect the reputation of Dexia. The Compliance Charter describes the role and fields of competence of the Compliance function and presents the principles of governance underlying the approach adopted by Dexia in this area.
These principles are declined in the policies and procedures put in place by all the Group entities.

Preventing corruption

The procedural mechanism dealing with corruption was strengthened in 2017. An anti-corruption code of conduct was put in place and completes the set of policies in force. It defines the different types of behaviour to be forbidden. It becomes the market standard and allows the demands of partners, financial counterparties and rating agencies to be met.
In addition to this anti-corruption code of conduct, Dexia has policies and procedures which seek to limit the risks of corruption, like the Group purchasing and supplier code of professional ethics, the charter of ethics within the context of business relations with suppliers, the policy regarding gifts, favours or invitations and the outsourcing supervision policy.
Within the context of preventing political corruption, the set of policies and procedures in force is strengthened by a policy of "risk countries", which includes the risk of corruption as an essential criterion in the classification of risk countries. The Group has also adopted a policy in relation to politically exposed persons (PEP) to prevent the risk of money laundering on the basis of acts of corruption.

Finally, internal standards complete the anti-corruption mechanism by risk mapping adapted to the risk of corruption, the definition of a corruption prevention plan and the training of staff members on the prevention of that risk. Dexia trains all its staff members, at a minimum every two years, in the risks of corruption and trading influence.
At present, a person employed full time is in charge of training in Paris and a correspondent provides training in Group entities.
During 2019, Dexia recorded:
• no incident of corruption,
• no confirmed incident involving staff members,
• no confirmed incident with "business partners",
• no pubic case against the institution or its staff members.

Preventing money laundering and terrorism financing

Dexia attaches a great deal of importance to the good management of risks regarding money laundering and terrorism financing and the effective fulfilment of national and international obligations in that respect.
To guarantee a harmonised and consistent approach across the various Group entities, Dexia has defined a series of general policies (country policies, politically exposed persons, OFAC policy and so on), on the basis of which Group entities have adopted procedures and instruction notes detailing the obligations and formalities applicable with regard to:
• knowledge and identification of clients, representatives, proxies and economic beneficiaries ;
• verification in relation to official lists of criminals, terrorists, those involved in nuclear proliferation and so on, issued by national and international authorities;
• monitoring account and business relations throughout the term of the relationship;
• supervising operations and detecting suspect transactions;
• training bank staff members every two years at a maximum in the risks of money laundering and terrorism financing;
• cooperating with the regulatory and legal authorities in cases of suspicion of money laundering or terrorism financing in accordance with the applicable requirements.

Market abuse and personal transactions

Dexia has introduced measures aimed at managing the risks of market abuse, i.e. insider trading and price manipulation, in relation to financial instruments issued by Dexia and by any other issuer.
These measures are principally reflected in a policy aimed at preventing insider trading in relation to its financial instruments and a policy relating to personal transactions carried out by the persons concerned. This latter measure guarantees that Dexia (as a provider of investment services) as well as its directors, staff members and affiliated agents fulfil the obligations set in the MiFID 2 Directive as well as the appropriate rules applicable to personal transactions carried out by such persons. There are also measures regarding confidentiality, the establishment of lists of insiders and Chinese walls.

Integrity and the prevention of conflicts of interest

Within the framework of the MiFID 2 Directive, Dexia has introduced specific standards to guarantee a high level of investor protection, such as the policy on conflicts of interest. Dexia undertakes to respect the good operation of the markets on which it operates, as well as the internal rules and procedures of those markets. Dexia undertakes not to intervene in operations which might contravene laws of regulations.
Dexia undertakes that market operators will show professionalism and integrity vis-à-vis intermediaries and counterparties. Internal rules have been adopted to govern the external functions which might be exercised by staff members in application of local rules or general principles concerning the prevention of conflicts of interest.
Dexia has a policy aimed at guaranteeing the independence of its auditors. Indeed, checks should be made, prior to granting a task which is not directly linked to the legal audit work, inter alia whether that task is not, despite everything, liable to affect the independence of the auditors.

Whistleblowing

Dexia has introduced a whistleblowing system accessible to all its staff members as well as external and occasional providers of services to Dexia. It is intended to encourage staff members and other stakeholders confidentially to report any conduct contrary to ethics, the law or national or European regulations, which might generate a significant risk for Dexia (risk of financial losses, risk of sanction and/or risk to reputation).
The facts which might be the object of such a report are likely to be extremely varied: the internal whistleblowing system relates to all failures to fulfil legal, regulatory or prudential obligations as well as the internal rules of compliance, liable to cause severe harm to the Dexia Group or the general interest.

Protection of professional data and security

Discretion and observance of the requirements of professional secrecy (including banking secrecy when it is applicable) are essential, particularly with a view to protecting Dexia's reputation. In this regard, procedures have been introduced within the Dexia Group in observance of national regulations.
In addition, within the framework of compliance training, staff members are regularly taught about such obligations of discretion and observance of the separation of functions, in particular with reminders of the good practices to be adopted.
Data protection is essential and Dexia observes all national and European provisions in relation to the protection of personal data.
Following the entry into force of the General Data Protection Regulation (GDPG), Dexia identified and referenced all the processes involving personal data, and updated or amended policies and procedures which describe management of the rights of the persons concerned and the warning of breaches. The Group also identified an external provider for the deployment of training for all staff members.
Moreover, Dexia updated its internet site to enable third parties to understand the processing of personal data undertaken by the company, their rights and contact details.
For more detailed information, please consult the Dexia internet site (https://www.dexia.com/en/about-the-dexia-group/compliance).

Environmental matters

As a Group active in the financial sector, environmental risks are limited. Dexia has no industrial production activity and, as indicated in the introduction, the Group's situation of orderly resolution does not enable it to provide a policy for indirect risks associated with environmental matters.
As part of its policy for managing direct environmental impacts, the Dexia Group has the main objective of reducing greenhouse gas emissions linked to energy consumption associated with buildings and staff business travel. The Group also pursues a proactive policy of reducing waste and responsibly using consumables.

Waste management and the responsible management of consumables

Systems for the selective sorting, collection and recycling of paper and internal waste (toners, electrical waste, obsolete equipment, etc.) have been put in place within the Dexia Group. All printers are configured by default to print double-sided in black and white, and all offices have individual selective recycling bins.
As part of its policy of responsible purchasing and reducing paper consumption, Dexia Crédit Local has implemented a range of actions concerning the types of paper used, such as decreasing the weight of paper and using only recycled, bleach-free virgin, PEFC-certified paper. During 2019, an amount of 8.8 tonnes of office paper was used (compared to 13.5 tonnes in 2018).
In the United States, the branch sorts its waste both within its offices and at basement level to enable its service providers to collect waste effectively.

Sustainable use of resources: energy consumption

In order to limit its carbon footprint, Dexia constantly seeks to improve the energy efficiency of its premises. The Group maintains the proportion of its electricity consumption accounted for by green electricity.
Data relating to energy consumption and greenhouse gas emissions are monitored:
- In France, the main buildings of Dexia Crédit Local have been supplied since 1 January 2008 100% with green electricity;
- The maintenance staff of Dexia Crédit Local New York have been made aware of the Energy Star programme launched by the government and responsible for promoting energy savings in the United States. Low-energy bulbs are used to light offices, all the products used are environment friendly and air-conditioning units are checked and cleaned every month;
- In Italy, Dexia Crediop uses hydro-electricity for practically all of its energy requirements.

Contribution to combating global warming

For several years, Dexia has been working to reduce its greenhouse gas emissions associated with staff business travel, focusing on two areas: reducing travel and minimising the impact of travel by encouraging the use of less polluting modes of transport.
At a Group level, the impact of such travel with regard to greenhouse gas emission remains limited, as almost all travel is by rail, between Brussels and Paris.

Commuting

In Belgium, Dexia is demonstrating its commitment in the area of staff travel by paying the costs of public transport passes for its staff members.
In France, Dexia Crédit Local is demonstrating its commitment in the area of staff travel by paying 60% of the cost of public transport passes for staff members working at La Défense.
In Ireland, in accordance with the provisions of the government's "Bike to Work" scheme, Dexia Crédit Local Dublin encourages members of staff to cycle to work.
Dexia Crediop has paid a portion of commuting costs since 2007.

Optimisation of business travel

In order to reduce distances travelled, staff members are encouraged to make use of video and telephone conferencing. The use of these means has increased sharply over recent years, their use having developed strongly, particularly with the introduction and generalisation within the Group of the Skype for Business technology adopted as a new communication tool.

Information relating to social commitments in favour of sustainable development

Dialogue with stakeholders

Dexia regularly communicates with the banking supervisors, majority shareholders and generally the various stakeholders in the Group's resolution.

Partnership and sponsorship actions

Dexia's commitment to society is reflected by the implementation of policies and actions to benefit local actors in the different countries in which the company has a direct or indirect presence. Various permanent or ad hoc initiatives are organised within the Group.

"Duo for a Job" mentoring programme

Dexia and Dexia Crédit Local responded to the call of the association "Duo for a Job".
"Duo for a Job" puts young jobseekers of immigrant background in contact with experienced people over 50 years old so that the latter can accompany them in their job search.
Once they are paired up, the young person and their mentor meet for two hours a week for six months.

Collection of spectacles in favour of the OLSF association

Dexia Crédit Local's Works Council organises the collection of new or used spectacles in favour of the OLSF association, the aim of which is to combat sight impairments throughout the world.

Dexia's Participation in the "Imagine for Margo" race

On Friday 24 May 2019, Dexia lined up a team of 40 members of staff, walkers or runners, at the start of the 2nd edition of the "Children without Cancer City - Imagine for Margo" race, a 5 or 10 kilometre multi-distance event organised in La Défense, the profits of which are entirely donated to research to fight against children's cancer. Their commitment enabled Dexia to contribute EUR 10,640 to this cause.

Governance

Introduction

The Shareholders' Meeting held on 16 October 2019 decided to withdraw from trading the shares admitted to the regulated market of Euronext Brussels, to abolish the dematerialised form of the shares so that all shares now exist only in registered form and to amend Dexia's Articles of Association in order to comply with the new Companies and Associations Code (*Code des sociétés et des associations* – CSA).

Since 2 December 2019, the date of entry into force of the decisions of the shareholders' meeting held on 16 October 2019, Dexia is no longer a listed company, which reduces some of its obligations and in particular those arising from the Belgian Corporate Governance Code.

The shareholder structure

As at 31 December 2019, the main Dexia shareholders were as follows:

Shareholder name	Percentage of existing Dexia shares held as at 31 December 2019
Belgian Federal State through the Federal Holding and Investment Company	52.78%
French State	46.81%
Institutional, individual and staff shareholders	0.41%

On that same date no individual shareholder, with the exception of the Belgian Federal State and the French State, held 1% or more of the capital of Dexia. One director of Dexia held one share in the company.

Observance of applicable legislation

Dexia is a public limited company under Belgian law and a financial company. As such, it is subject to the provisions of the CSA and the *Law of 25 April 2014 relating to the status and control of credit institutions and brokerage firms* (the "Banking Law").

Since 2 December 2019, Dexia no longer has any securities listed on Euronext Brussels but it remains a public interest company within the meaning of Article 1:12 of the CSA since the bonds it has issued are listed on the regulated market of the Luxembourg Stock Exchange. In this respect, Dexia ensures compliance with its legal and regulatory obligations in terms of periodic information.

The Royal Decree of 14 November 2007 "relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market" deals in particular with the obligations of issuers with regard to the information to be provided to the public and their obligations towards the holders of financial instruments. On 11 January 2012, the Financial Services and Markets Authority (FSMA) published a circular, updated on 12 November 2018, which explains this Royal Decree. In accordance with this regulation, Dexia has been using its website since 2003 to fulfil its obligations concerning the publication of the information referred to in the Royal Decree and the circular and has in particular created a separate part of the website reserved for the obligatory financial information mentioned in the circular.

Management of the Dexia Group

Since 10 October 2012, Dexia and its main subsidiary Dexia Crédit Local have had an integrated operational management team adapted to the size and particular features of the Group. Although separate legal structures have been maintained, the management of the Group has been unified, in particular through the joint management of the two main entities, Dexia and Dexia Crédit Local.

Dexia's Board of Directors

The competences, operation and responsibilities of the Board of Directors

The rules relating to the competence, operation and responsibilities of the Board of Directors are described in the Internal Rules of the Board of Directors and of the specialised committees (the "ROI"), the latest version of which is published on the Company's website. Dexia's ROI codifies a set of rules designed to enable the Board fully to exercise its powers and to strengthen the effectiveness of the contribution of each director.

Composition of the Board of Directors

The Articles of Association of Dexia provide that the Board of Directors is composed of a minimum of 9 directors and a maximum of 13 directors. At least one half of the Board of Directors are non-executive directors and at least three of them are independent. In addition, at least a third of the members of the Board are a different gender to the other members. The Board is composed of Belgian and French directors. The Belgian directors must always be in a majority. The Chairman of the Board of Directors is French and the Chief Executive Officer is Belgian. A director may, with the agreement of a majority of each group of directors of the same nationality, be considered as of Belgian or French nationality even though in reality they are of another nationality, the other nationality or of dual nationality. This provision has been used for Mr Giovanni Albanese, of Italian nationality, and he must must be considered to have the Belgian nationality.

Non-executive directors

A non-executive director is a director who does not perform executive functions in a company of the Dexia Group. The internal rules of the Dexia Board of Directors provide that at least one half of the Board of Directors are non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of Mr Bart Bronselaer, Mr Giovanni Albanese and Mrs Véronique Hugues, all the members of the Dexia Board of Directors were non-executive directors as at 31 March 2020. The non-executive directors are entitled to obtain any information necessary to enable them correctly to execute their mandate and may ask management for such information.

Independent directors

In order to comply with the provisions of the Banking Law, which requires the presence of independent directors in specialised committees, and the ROI, which provide that at least three of the non-executive directors must be independent and meet the independence criteria as defined by Article 7:87 paragraph 1 of the CSA.
These criteria, which form an integral part of the internal rules of the Board of Directors, are as follows:
1) For a period of three years preceding their appointment, independent directors may not have held a mandate as an executive member of the Board of Directors, or as a member of the Management Board or delegate for day-to-day management, of Dexia or of a company or a person associated with it;
2) Independent directors may not have sat on the Board of Directors of Dexia as non-executive directors for more than twelve years;
3) For a period of three years preceding their appointment, independent directors may not have been a member of the management staff;
4) Independent directors may not receive, or have received, remuneration or other significant benefits of an asset nature from Dexia or from a company or a person associated with it, outside any percentages and fees received as non-executive members of the management or supervisory body;
5) Independent directors:
a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company.
b) may not have been appointed in any way by a shareholder meeting the conditions of point a).
6) Independent directors may not have entered into or maintained a significant business relationship with Dexia or with a company or person associated with it over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship;
7) During the last three years, independent directors may not have been a partner or employee of a current or previous auditor of Dexia or an associated company or person associated with it;
8) Independent directors may not be an executive member of the Board of Directors of another company in which an executive director of Dexia is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia through positions held in other companies or bodies;
9) Independent directors may not, either within Dexia or within a company or person associated with it, have either their spouse, or the person with whom they live under a common law marriage, or an immediate family member or a relative up to twice removed exercising a mandate as member of the Board of Directors, Chief Executive Officer or member of the management staff, or in one of the other cases defined in points 1 to 8 for at least three years after the date on which the family member concerned terminated their last mandate.
Any of Dexia's independent directors who no longer meet any of the said criteria, particularly following a major change of their functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointments Committee. The Appointments Committee will inform the Board of Directors and if necessary formulate an opinion.
Considering these criteria, Dexia's Board of Directors had four independent directors as at 31 March 2020, namely Mr Gilles Denoyel, Mrs Tamar Joulia-Paris, Mrs Alexandra Serizay and Mr Michel Tison.

Gender diversity

At least one third of the members of the Board shall be of a different gender to the other members. Four women sit on the Dexia Board of Directors.

As at 31 December 2019, the Dexia Board of Directors was composed as follows:

GILLES DENOYEL

Independent director
4 August 1954 • French • Non-executive director since 2018
Holds no Dexia shares
Chairman of the Board of Directors of Dexia
Chairman of the Board of Directors of Dexia Crédit Local

Tem of mandate: 2018-2022

Specialised committees: Chairman of the Appointments Committee - Member of the Remuneration Committee

Other mandates and functions: Director of Trust BK (France), Director and chairman of the committee monitoring nuclear commitments of EDF (France)

Biography: Gilles Denoyel is a graduate of the École des Mines in Paris, the Institut d'études politiques in Paris (IEP) and the ENA. He was appointed Inspector of Finance at the Ministry of the Economy and Finance in 1981 before, in 1985, joining the Directorate of the Treasury as Mission Head and then Secretary General (1987) to the CIRI, Head of the Credit Insurance Office, Head of the Financial Markets Office (1989-92), Deputy Director of Insurance (1992-94) and Deputy Director of Holdings (1994-96). He then joined the CCF group in 1996 as Director Finance, Secretary General in charge of Strategy and Operations in 1998, then Deputy Director General Finance in 2000 and participated in the link-up with the British group HSBC where he continued his career as Deputy Chief Executive Officer of HSBC France from 2004. In that role, he was first in charge of central and financial functions. In 2006, he took charge of the asset management business line, insurance activities and central non-financial functions. From 2007, he supervised all the risk and control functions and relations with the supervisory authorities. In 2015, he was appointed International President Institutional Relations of the HSBC group for Europe. Since his retirement from the HSBC group, in June 2016, he has been performing advice missions in the financial sector and has been Senior Advisor at Bain Consulting. He was chairman of the group of banks under foreign control in France from 2006 until 2016 and Treasurer of the French Banking Association from 2004 until 2016. Since May 2019 he has been director and chairman of the nuclear commitments committee of EDF.

Principal fields of expertise: finance and banking, financial risk management, direction and management of institutions.

BART BRONSELAER

Independent director
6 October 1967 • Belgian • Executive director *ad interim* since 16 November 2019 (non-executive director since 2012)
Holds no Dexia shares
Chief Executive Officer and Chairman of the Management Board *ad interim*
Director and Chief Executive Officer *ad interim* of Dexia Crédit Local

Term of mandate: 2017-2021

Other mandates and functions: Independent Director of United Pensions OFP

Biography: Bart Bronselaer holds a degree in industrial engineering (Group T – Leuven), as well as a master's degree in information sciences (VUB) and a master's degree in business administration (MBA – U.C. Louvain). The major part of his career (1993-2003) was spent with Merrill Lynch International in London, where he held various positions, the last chronologically as Head of Debt Capital Markets for Europe, the Middle East and Africa. There he had the task of structuring and selling financial solutions to various clients, such as financial institutions, industrial companies and public bodies. In 2003, he became an independent expert in financial services. He was Chairman of the Board of Directors of Royal Park Investments until 31 December 2013. Since November 2019, he has been Chief Executive Officer and Chairman of the Management Board *ad interim* of Dexia and director and Chief Executive Officer ad interim of Dexia Crédit Local.

Principal fields of expertise: financial markets, finance, structured finance, derivatives, strategy

GIOVANNI ALBANESE

22 February 1959 • Italian • Executive director
Holds no Dexia shares
Chief Risk Officer and member of the Management Board of Dexia
Director and Executive Vice-President of Dexia Crédit Local

Term of mandate: 2018-2022

Biography: Giovanni Albanese has a degree in electrical engineering from the University of La Sapienza (Italy), a Master of Science and a third cycle Degree in electrical engineering from the University of Southern California (USA), as well as an MBA from the Bocconi University (Italy). After working for more than 12 years in different firms of consultants (McKinsey & Company, Booz Allen and Hamilton and Roland Berger Strategy Consultants), he joined the Unicredit group in 2006, where in particular he was head of risks for Italy, head of the group's credit risk and head of the group's internal validation department. In September 2018, he was appointed Chief Risk Officer of the Dexia Group and a member of the Management Board of Dexia.

Principal fields of expertise: risk management, finance, strategy.

CLAIRE CHEREMETINSKI

2 May 1976 • French • Non-executive director
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2019-2023

Specialised committees: Member of the Remuneration Committee

Principal function: Head of the bilateral affairs and corporate internationalisation department of the general directorate of the Treasury to the Ministry of the Economy and Finance (France)

Other mandates and functions: Director of Business France and BPI France • Government Expertise Commissioner France

Biography: Claire Cheremetinski is a graduate of the Institut d'études politiques (IEP) in Paris and the Ecole nationale supérieure des postes et télécommunications (ENSPT) and holds a DESS in human resources management from the University of Paris IX Dauphine. She began her career in 2003 as a Deputy Head of the debt, international finance and secretariat office of the Club de Paris to the General Directorate of the Treasury. In 2005, she became financial adviser to the permanent representation of France with the European Union in Brussels. In 2007, she was appointed Head of the enterprise and insurance intermediaries office to the General Directorate of the Treasury. She then became General Secretary of the Club de Paris and Head of the International Debt Office of the Club de Paris in 2009. In 2011, she was appointed Head of Shareholding at the French Government Shareholding Agency. In 2014, she became Deputy Director in charge of commercial policy, investment and combating financial criminality to the General Directorate of the Treasury. Since 1 September 2017, she has been in her present post.

Principal fields of expertise: economics, financial markets, financial regulation

ALEXANDRE DE GEEST

5 February 1971 • Belgian • Non-executive director since 2012
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2017-2021

Specialised committees: Member of the Risk Committee • Member of the Remuneration Committee • Member of the Appointments Committee

Principal function: General Administrator of the Belgian Federal Public Service Finance (FPS Finance).

Other mandates and functions: Chairman of the Protection Fund for Financial Instruments • Member of the Commission for Nuclear Reserves

Biography: Alexandre De Geest is a graduate in law from the Catholic University of Louvain and the Free University of Brussels. He has been a director of numerous companies including Gazelec (2004-2005) and the Silver Fund since 2003. He was an Adviser to the Cabinet of the Federal Minister of Finance from 2000, then an Adviser to the Cabinet of the Federal Minister of Foreign Affairs in 2011. He has been director of FPS Finance since 2012 and CEO since 2016.

Principal fields of expertise: financial markets, finance, taxation

BERTRAND DUMONT

2 July 1973 • French • Non-executive director since 2018
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2018-2023

Specialised committees: Member of the Risk Committee

Principal function: Deputy Director General of the Treasury (France)

Other mandates and functions: Non-executive director of Business France

Biography: Bertrand Dumont is a graduate of the Ecole nationale d'administration (ENA), the Institut d'études politiques de Paris (IEP) and the Ecole normale supérieure Ulm. He began his career in 2001 at the Ministry of Finance, to the General Directorate of the Treasury, where successively he held the posts of Deputy General Secretary of the Club de Paris and Head of Treasury Management for the State. In 2005, he was appointed adviser to the International Monetary Fund (Washington DC) where he became Deputy Director for France in 2006. In 2007, he was appointed adviser on international and European affairs to the cabinet of the Minister of the Economy, Industry and Employment (Paris). In 2010, he became adviser in charge of financial services to the cabinet of the Vice-President of the European Commission in charge of the internal market and services (Brussels), and he was appointed Head of Cabinet in 2014. From 2015 until 2017, he was a Head of Prudential Management at HSBC France (Paris). From 2017 until 2018, he was Deputy Director of the Cabinet of the Minister of the Economy and Finance (Paris). Since 2018, Bertrand Dumont has been Deputy Director General of the Treasury.

Principal fields of expertise: economics, financial markets, financial regulation, risk management

THIERRY FRANCQ

30 April 1964 • French • Non-executive director since 2013
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2017-2021

Specialised committees: Member of the Audit Committee • Member of the Appointments Committee

Principal function: Director of the Cabinet of the Chairman and CEO of the Covea Group

Biography: Thierry Francq is a graduate of Ecole polytechnique and Ecole nationale de statistiques et d'administration économique (ENSAE). He began his career in 1988 in the direction de la Prévision (Ministry of the Economy, Finance and Industry), as Deputy Head of the Foreign Office and then of the Financial Transactions Office. In 1992, he joined the General Directorate of the Treasury where he was Deputy Head of the Housing Financing Office and, as of 1995, Head of the Office in charge of French policy regarding the International Monetary Fund (IMF), the international financial system and the preparation of the G7 summits. From 2000 to 2002, he held the position of Deputy Head in charge of the regulation of insurance companies, products and markets and then, from 2002 to 2004, Deputy Head of the State holding department before being appointed Head of Economy Financing at the French Treasury. In March 2009, he was appointed Secretary General of the Financial Markets Authority (AMF). From December 2012 to September 2013, he was executive adviser to the CEO of the French Treasury. He was Deputy General Auditor for Investment from October 2013 until September 2018. Since September 2018 he has been Director of the Cabinet of the Chairman and CEO of the Covea Group

Principal fields of expertise: economics, financial regulation and administration

VÉRONIQUE HUGUES

28 May 1970 • French • Executive director since 2016
Holds no Dexia shares
Chief Financial Officer and member of the Management Board of Dexia
Director and Executive Vice-President of Dexia Crédit Local

Term of mandate: 2017-2021

Biography: Véronique Hugues has a double Master's degree in finance from the University of Paris IX Dauphine and the University Johan Wolfgang Goethe in Frankfurt and a master DESS 203, market finance from the University of Paris IX Dauphine. After beginning her career with Deutsche Bank in Paris, in the ALM department, she joined the Dexia Group in 2001 as Head of Long-Term Funding. She took charge of Financial Communication in 2009 and, in 2013, became Head of Financial Management and director of Dexia Kommunalbank Deutschland and Dexia Sabadell. From 2014 to 2016, she was Deputy CFO of Dexia and a member the Group Committee. With this mandate, she directed various transversal projects within the Finance activity line. Since June 2016 she has been an executive director of Dexia, Chief Financial Officer and member of the Management Board of Dexia and Director and Executive Vice-President of Dexia Crédit Local.

Principal fields of expertise: finance, financial markets, financial communication, change management and transformation processes.

TAMAR JOULIA-PARIS

Independent director
5 October 1952 • Belgian • Non-executive director since April 2019
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2019-2023

Specialised committees: Chairman of the Remuneration Committee • Member of the Risk Committee • Member of the Audit Committee

Other mandates and functions: Executive director of TJP Capital

Biography: Tamar Joulia-Paris is a graduate of the Ecole Polytechnique in Mons (Belgium), the Ecole Nationale Supérieure de Géologie et de Prospection Minière in Nancy (France) and the Solvay Business School in Brussels (Belgium). After ten years in the construction sector and in manufacturing industry, mainly in developing countries, she joined the banking sector in 1992 at Banque Bruxelles Lambert (later ING Belgium) where she was in charge of credit risk management. She subsequently held senior management positions at ING Group in Amsterdam, where she was in charge of the group-wide credit portfolio and credit markets during the financial crisis of 2008, and led teams in Europe, the US and Asia. In addition to her management functions, Tamar Joulia-Paris is also a member of the Management Council of ING Group. After more than 25 years in the banking sector, she set up her own consulting and training company specialising in risk management in the financial sector, the impact of prudential regulations and balance sheet and portfolio optimisation. She is also a visiting professor at the Facultés Universitaires de Saint-Louis (UCL) where she has been teaching risk management since 2004.

Principal fields of expertise: financial company management, risk management, international regulations, crisis management, finance, audit and HR

ALEXANDRA SERIZAY

Independent Director
31 March 1977 • French • Non-executive director since 2016
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2017-2021

Specialised committees: Chairman of the Audit Committee

Principal function: Global Head of Strategy - Corporate Services at Sodexo

Other mandates and functions: Director of Cofiroute and of AFS (VInce Autoroutes Group)

Biography: Alexandra Serizay is a graduate of the ESSEC. She began her career in 1997 as internal auditor with France Télécom Transpac, and then joined Deutsche Bank in London in 1999 as Associate in M&A. In 2004, she joined Bain in Paris and became Manager in 2007. In 2011, she joined HSBC France, first of all as a member of the Executive Committee of HSBC France, responsible for Strategy, and then in 2013 she became Secretary General of the Executive Committee of RBWM (Retail Banking & Wealth Management) and director in charge of customer development and offers in 2016. She also assumed a mandate within the boards of HSBC REIM France (Real Estate Investment Managers), HSBC SFH France (HSBC covered pool) and HSBC Factoring France. In September 2017 she left the HSBC Group to become Global Head of Strategy - Corporate Services at Sodexo.

Principal fields of expertise: audit and finance, mergers and acquisitions, strategy, digital transformation, risk management

MICHEL TISON

Independent director
23 May 1967 • Belgian • Non-executive director since 2016
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: 2016-2020

Specialised committees: Member of the Risk Committee • Member of the Remuneration Committee • Member of the Audit Committee

Principal function: Professor of finance law and Dean of the Faculty of Law – Ghent University

Biography: Since 1998 Michel Tison, Doctor of Law, has been an Associate Professor, and then, since 2008, Professor at the Ghent University. He is the author or co-author of numerous publications, concerning banking and finance law. From 2001 to 2014, he was an independent director and Chairman of the Board of Directors of Aphilion Q2 (UCITS) and from 2005 to 2014, member of the Audit Committee of the University Hospital of Ghent. Since 2005, he has been an assessor for the Legislation section of the Council of State.

Principal fields of expertise: banking and finance law, audit

KOEN VAN LOO

26 August 1972 • Belgian • Non-executive director since 2008
Holds 1 Dexia share
Director of Dexia Crédit Local

Term of mandate: 2017-2021

Specialised committees: Member of the Appointments Committee

Principal function: Chief Executive Officer and member of the Strategy Committee of the Federal Holding and Investment Company

Other mandates and functions: Director of Certi-Fed SA, Capricorn ICT Fund, Capricorn Sustainable Chemistry Fund, Sinnolabs Hong Kong Ltd, Euroports Group BV

Biography: Koen Van Loo is graduate in applied economics. After gaining a degree in taxation, he began his career as Deputy Adviser to the Central Economic Council. In September 1999, he joined the Office of the Belgian Minister of Finance as an expert. In November 2000, he was appointed Adviser to the Cabinet and was then Head of the Cabinet from May 2003 until November 2006. He was then appointed Chief Executive Officer and a Member of the Strategy Committee of the Federal Holding and Investment Company

Principal fields of expertise: financial analysis, accounting, taxation and strategy

Observers

In order to respect the mirror composition of the Boards of Directors of Dexia Crédit Local and Dexia, it was decided at the meeting of the Board of Directors held on 29 March 2017, on a proposal by the Appointments Committee, in accordance with Article 11 of the Articles of Association, to appoint Mrs Aline Bec and Mrs Véronique Tai (who are directors of Dexia Crédit Local), as observers of Dexia to attend meetings of the Board of Directors of Dexia and to maintain a level of information equivalent to that of the other directors.

Changes in the composition of Dexia’s Board of Directors during the 2019 financial year

During the 2019 financial year, the significant changes in the composition of Dexia’s Board of Directors were as follows:

– Mrs Claire Cheremetinski was co-opted at the Board of Directors meeting held on 4 February 2019, as a non-executive director of Dexia, replacing Mrs Lucie Muniesa who resigned.

– Mrs Tamar Joulia-Paris was co-opted at the Board of Directors meeting held on 21 March 2019 and with effect from 23 April 2019, as an independent and non-executive director of Dexia, replacing Mrs Martine De Rouck who resigned.

– Mr Wouter Devriendt resigned with effect from 15 November 2019. He is replaced ad interim by Mr Bart Bronselaer. On the proposal of the Appointments Committee, the Board of Directors meeting held on 16 March 2020 decided to retain the candidacy of Mr Pierre Crevits and to start the Fit and Proper procedure to obtain the approval of the European Central Bank with a view to proposing to the Shareholders' Meeting to be held on 20 May 2020 the appointment of Mr Pierre Crevits as Chief Executive Officer and Chairman of the Management Board of Dexia.

Procedure for appointing and assessing members of the Board of Directors

In line with their obligations in particular under CRD IV and its national transpositions, Dexia and Dexia Crédit Local have the procedures in place necessary for checking the expertise and professional integrity of directors, senior executives of the two entities and heads of the independent control function. Fulfilment of these obligations will involve several departments:

- the Human Resources department in charge, on behalf of the Management Board or the Board of Directors, of the selection and recruitment process for responsible executives and heads of independent control functions;
- the Compliance department in charge of checking the integrity of candidates, the absence of conflicts of interest by virtue of other functions or mandates;
- the General Secretariat and the General Auditor, in charge of relations with the regulatory and supervisory authorities.

This check is made at the time of the candidate's recruitment and is subject to an annual assessment. In principle, the Board of Directors carries out a self-assessment of its operations and those of its specialised committees each year, conducted by the Chairman of the Board of Directors, in order to make the necessary adjustments and improvements to its internal rules and regulations. The criteria used to carry out the assessment include the effectiveness and frequency of the Board and its specialised committees, the quality of the information provided to the Board and its specialised committees, the remuneration of the members of the Board and its committees, and the role of the Chairman.
At the time of a director's reappointment, the Appointments Committee conducts an assessment of his or her participation in the operation of the Board of Directors and reports to the Board of Directors with a recommendation.

Activities of Dexia’s Board of Directors during the 2019 financial year

The Board met 13 times in 2019 and the directors’ attendance rate was very high at all the meetings.
In addition to matters falling within the ordinary remit of the Board of Directors (monitoring results, approving the budget, appointment and remuneration of Management Board members, convening of ordinary and extraordinary shareholders’ meetings, minutes of specialised committee meetings), the Board dealt in particular with numerous subjects from the Audit and Risk Committees, and the following points:

- remedial plan for the European Central Bank;
- delisting of Dexia shares;
- prolongation of the States’ Guarantee;
- Group liquidity, long-term VLTM, ICAAP funding projections;
- SREP;
- on-site inspection (OSI) on credit risk;

- acceleration of the deleveraging plan;
- governance: the appointment of new directors, the renewal of directors' mandates, the succession of the Chief Executive Officer and the self-assessment exercise for the Board of Directors and the specialised committees.

Conflicts of interest

If a director or a member of the Management Board, directly or indirectly, has an interest which conflicts with the financial nature of a decision or an operation by the Board of Directors or the Management Board, they must inform the other directors or members of the Management Board prior to the deliberation of the Board of Directors or the Management Board. Their declaration, as well as the reasons for the conflicting interest which exists, must appear in the minutes of the meeting of the Board of Directors or the Management Board which has to take the decision.
During the financial year closed on 31 December 2019 the Board of Directors did not make use of the procedure provided in Article 7:115 of the CSA which deals with conflicts of interest.

The specialised committees set up by the Board of Directors

Specialised committees are responsible for preparing Board decisions, this remaining their only responsibility. Unless the Board gives special dispensation on dedicated subjects, specialised committees have no decision-taking power. These committees are composed of directors appointed by the Board of Directors for a period of two years renewable. After each meeting, a report on the committee's work is presented to the Board of Directors.
The Board of Directors has four specialised committees, namely the Audit Committee, the Risk Committee, the Appointments Committee and the Remuneration Committee in accordance with the requirements of the Banking Law. These committees are composed of at least three non-executive directors, including one independent director, appointed by the Board of Directors.

The Audit Committee

In accordance with the ROI and Article 27 of the Banking Law, the Audit Committee is composed of non-executive directors, and a majority of independent members, including the committee chairman, who meet the criteria set out by Article 7:87 paragraph 1 of the CSA. The chairman of the committee may not chair other committees of the Board of Directors.
The members of this committee have collective skills in the fields of activity of the Dexia Group and accounting and audit, and at least one member is skilled in audit and/or accounting.
The rules associated with the competence, operation and responsibilities of the Audit Committee are described in the ROI, the latest edition of which is published on the company's website.

Composition

As at 31 December 2019, the Audit Committee was composed of:
- Mrs Alexandra Serizay, independent director and chairman of the Audit Committee. She has professional experience in audit and financial analysis, acquired in particular as head of internal audit at France Télécom Transpac and HSBC France as a member of the executive committee. In addition, as Secretary General of HSBC France, she was in charge of financial guidance and a member of the Risk Management Committee of the bank HSBC France. From 2013 to 2017 she also sat on the Risk Management Committee of Retail Banking at HSBC France.
- Mr Thierry Francq, non-executive director. He was Secretary General of the Financial Markets Authority (AMF) and had a long career in the French Treasury, enabling him to acquire skills in financial regulation, management, finance and risk management. In particular, he was responsible for banking sector regulatory matters, insurance and financial markets for 5 years at the Treasury (between 2004 and 2009). In office when the financial crisis arose in 2008, he played a key role in implementing the mechanisms to support the financial sector in France. From 2009 to 2012, in his position within the Financial Markets Authority, he acquired experience in corporate governance, financial communication and accounting. Previously, as Head of State Holdings, he held posts as non-executive director in several companies, some of them listed.
- Mr Michel Tison, independent director, is Professor of finance law and Dean of the University of Ghent. He has sound expertise in banking and finance law and valuable experience as a member of the Audit Committee of the Ghent University Hospital.
- Mrs Tamar Joulia-Paris, independent director (since 15 November 2019). She has extensive experience in the banking sector and in particular within the ING Group, where she held management and general management positions for almost 25 years. As head of several credit departments within the ING Group, responsible for the management of the credit portfolio and stress testing, she worked regularly with the ALM, finance and capital management departments, including the accounting impact (IFRS) on the income statement and balance sheet. She was also responsible for the implementation of market solutions for capital and liquidity management, and contributed actively to financial planning and stress testing, as well as to the relationship with supervisors and rating agencies.

Activities during the 2019 financial year

The Audit Committee met eight times in 2019 and in particular dealt with the following matters:
- Group financial statements;
- reports on risks, liquidity, audit, validation, compliance, inspection and permanent control;
- the budget;
- relations with European supervisors;
- ICAAP;
- updating long-term VLTM financial projections;
- the on-site inspection (OSI) on credit risk;
- the delisting of Dexia shares;
- the deleveraging plan and accounting impacts;
- monitoring recommendations from the internal auditors, external auditors and supervisors.

The Risk Committee

In accordance with the ROI and Article 27 of the Banking Law, the Risk Committee is composed exclusively of non-executive directors, and at least one independent director, including the chairman of the Risk Committee, within the meaning of Article 7:87 paragraph 1 of the CSA. It must have sufficient skills in the fields of activity of the Dexia Group enabling it to understand the Group's risk strategy and level of tolerance. The Chief Risk Officer attends meetings of the Committee without being a member.
The rules associated with the competence, operation and responsibilities of the Risk Committee are described in the ROI, the latest edition of which is published on the company's website.

Composition

As at 31 December 2019, the composition of the Risk Committee was as follows:
• Mr Michel Tison (from 1 January to 22 April 2019 as member and from 16 November 2019 as Chairman of the Committee), independent director. Professor of finance law and Dean of the University of Ghent. He has sound expertise in European and national banking law, in particular in the field of prudential regulation, banking operations and financial instruments.
• Mr Alexandre De Geest, non-executive director. He has sound expertise in financial regulation, corporate governance, finance and risk management. Adviser to the Federal Minister of Finance for 11 years, he has been a member of the Strategy Committee of the Debt Agency since 2003, and has chaired this committee since April 2016. He monitored various financial subjects, including Dexia, KBP, RPI and Arco and was a member of the committee monitoring financial guarantees granted to financial institutions. For three years, he was Government Commissioner to the Fund for Protection of Deposits and Financial Instruments. Between 2012 and 2016, he was director of the general Treasury administration and ran the management board of the State Debt Agency. Since April 2016 he has been CEO of the FPS Finance. His experience brings an enriching expertise to the risk committee.
• Mr Bertrand Dumont. He has sound expertise in risk management acquired in particular within the context of his functions as Head of Prudential Management at HSBC, where particularly he supervised and assessed the various financial and commercial risks (risk mapping, liquidity and capital risk, reputational risk) and was also responsible for the HSBC Recovery Plan, including a view of all the different risks which the institution might have to face.
• Mrs Tamar Joulia-Paris (since 23 April 2019), independent director. She has extensive experience in the banking sector and in particular within the ING Group, where she has held management and general management positions for almost 25 years. She has been head of several credit departments within the ING Group (head of credit risk management, responsible for the management of the credit portfolio and risk appetite, head of credit markets). She then regularly advised international and regional credit institutions inter alia on the assessment and management of financial risks (credit/counterparty, market, liquidity), the management of commercial and reputation risks and improvement of the culture and the governance of risk management.

Activities during the 2019 financial year

The Risk Committee met seven times in 2019 and in particular dealt with the following matters:
• quarterly risk reports (market, credit, operational and legal risks);
• review of the methodology for Permanent Control;
• impacts of the Basel IV regulation;
• assessment of ICT risks;
• monitoring large exposures;
• Operations and IT: reviews and action plan;
• plan for control of market risk;
• the deleveraging plan and assessment of the execution risks;
• work on permanent control and compliance;
• updating ICAAP recommendations;
• credit risk models;
• annual update of the Risk Appetite Framework.

Joint meetings of the Audit and Risk Committees

The Audit and Risk Committees meet whenever necessary to deal with common subjects together, on convocation by the Chairman of the Board of Directors and the Chairman of the Audit Committee and the Risk Committee if need be. These meetings are chaired by the Chairman of the Audit Committee.
The Audit Committee and the Risk Committee met together five times and dealt with the following matters:
• large exposures;
• revision of the IFRS business model (clustering);
• budget 2020 and VLTM projections;
• Risk Appetite Framework;
• revision of the SICR methodology.

The Appointments Committee

In accordance with the ROI and the Banking Law, the Appointments Committee is composed of at least four non-executive directors, of which at least one independent director, within the meaning of Article 7:87 paragraph 1 of the CSA. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The General Secretary may also attend meetings.
The Committee must have the necessary expertise in appointments policy, assessing with pertinence the skills and fields of expertise of the persons it appoints within the Dexia Group.
The rules associated with the competence, operation and responsibilities of the Appointments Committee are described in the ROI, the latest edition of which is published on the company's website.

Composition

As at 31 December 2019, the composition of the Appointments Committee was as follows:
• Mr Gilles Denoyel, independent director and Chairman of the Committee. He has sound expertise in banking, finance and asset management, completed by experience of corporate management at an international level. He occupied managerial posts in the performance of his tasks for the French Treasury where

he was head of several teams of different sizes and then at HSBC where he successively occupied the posts of Chief Financial Officer, Secretary General, Deputy Chief Executive officer in charge of Finance and then Deputy Chief Executive Officer. He acquired experience of corporate governance by attending management boards and boards of directors of HSBC in the performance of directors' mandates in the companies AGF, Usinor, Pechiney and Naval Group.

• Mr Thierry Francq, non-executive director. He has sound judgement in matters of appointments, acquired over his career as a senior executive with the French Treasury. In managing a French State's portfolio of holdings, he had to rule on many appointments to highly responsible posts in several companies. As General Secretary to the Financial Markets Authority, he supervised the corporate governance of companies listed in Paris.

• M. Koen Van Loo, non-executive director. He has been a member of the Appointments Committee of Dexia since 2013. As Chief Executive Officer of the Federal Holding and Investment Company (FHIC), which manages the Belgian Federal State holdings, and as the former Chief of the Cabinet of the Vice-Prime Minister and the Minister of Finance, he acquired experience in the organisation and composition of Boards of Directors, as well as appointments and the management of human resources. He also gained experience in corporate management as non-executive director of several companies held by the Belgian Federal State or the FHIC.

• Mr Alexandre de Geest, non-executive director. He is CFO of FPS Finance and has significant managerial experience. He also has a sound judgement in matters of appointments. These experiences bring a wealth of expertise to the Appointments Committee.

Activities during the 2019 financial year

The Appointments Committee met eight times in 2019 and in particular dealt with the following matters:

• governance: evolution of the composition of the specialised committees and the Management Board of Dexia and of Dexia Crédit Local;

• the appointment of new directors and members of the Management Board;

• the annual report and the remuneration report;

• the assessment of the skills of members of the Board of Directors and the specialised committees;

• the succession of the Chief Executive Officer;

• the succession of the Chief Operating Officer.

The Remuneration Committee

In accordance with the ROI and the Banking Law, the Remuneration Committee is composed of at least four non-executive directors (of which the Chairman of the Board of Directors) and a majority of independent directors, within the meaning of Article 7:87 paragraph 1 of the CSA. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members.

The Committee must have the necessary expertise to make a pertinent judgement on the policies and practices regarding remuneration.

The rules associated with the competence, operation and responsibilities of the Remuneration Committee are described in the ROI, the latest edition of which is published on the company's website.

Composition

As at 31 December 2019, the composition of the Remuneration Committee was as follows:

• Mrs Tamar Joulia-Paris (as from 23 April 2019), independent director and Chairman of the Committee. She has extensive experience in the banking sector, particularly within the ING Group where she worked for almost 25 years. She has held various credit management positions at ING Group, where she led international teams and developed skills in human resources, management - particularly in the 2007/2008 crisis - and international remuneration schemes.

• Mr Gilles Denoyel, independent director (cf. above).

• Mr Michel Tison, independent director. He has relevant experience acquired during the performance of his duties in various companies and has in-depth knowledge of the applicable legal provisions, in particular with regard to remuneration.

• Mr Alexandre De Geest, non-executive director. He has solid expertise in financial regulation, corporate governance, finance and risk management. Advisor to the Federal Minister of Finance for 11 years on financial matters, he has been a member of the Strategic Committee of the Debt Agency since 2003 and has chaired this committee since April 2016. He has followed various financial subjects including Dexia, KBP, RPI, Arco and was a member of the monitoring committee for financial guarantees granted to financial institutions. For three years, he was government commissioner for the Fund for the Protection of Deposits and Financial Instruments. Between 2012 and 2016, he was a director of the General Administration of the Treasury and headed the Executive Committee of the State Debt Agency. Since April 2016, he has been CFO of FPS Finance.

• Mrs Claire Cheremetinski has relevant experience acquired in the course of her mandates in various companies. She has also regularly supervised teams in the context of her functions within the Treasury Department and the APE. She holds a post-graduate degree (DESS) in human resources management.

Activities during the 2019 financial year

The Remuneration committee met seven times in 2019 and in particular dealt with the following matters:

• the directors' remuneration;

• the remuneration report;

• the remuneration of members of the Management Board;

• the terms of remuneration of the Chairman of the Board of Directors;

• the succession of the Chief Operating Officer;

• the succession of the Chief Executive Officer;

• the remuneration of the Chief Compliance Officer;

• the evolution of the remuneration of the Auditor General;

• the situation relating to the closure of the New York entity.

Dexia Management Board

In accordance with Article 24 of the Banking Law and the Company's Articles of Association, the Management Board is entrusted by the Board of Directors, which delegates its powers to it for this purpose, with the effective management of the Company.
Within the framework of the strategic objectives and general policy defined by the Board of Directors, the Management Board provides the effective management of the company and the group and steers its various activities. It also follows up the decisions of the Board of Directors.
The members of the Management Board, other than the Chief Executive Officer, are appointed and dismissed by the Board of Directors on the proposal of the Chief Executive Officer. They are appointed for a period of four years, renewable unless the Board of Directors decides otherwise.

Composition

As at 31 December 2019, the Management Board was composed of:
- **Bart Bronselaer,** Chief Executive Officer *ad Interim* (since 16 November 2019, replacing Wouter Devriendt who resigned)
- **Véronique Hugues**, Chief Financial Officer
- **Guy Cools**, in charge of Assets
- **Giovanni Albanese**, Chief Risk Officer
- **Benoît Debroise**, in charge of Funding and Markets
- **Patrick Renouvin**, Chief Operating Officer (since 1 May 2019)

The composition of the Management Boards of Dexia and Dexia Crédit Local is identical.
The General Secretariat, Group Structuring & Strategy, Human Resources and Internal Audit functions report directly to the Chief Executive Officer.

Diversity policy applied to the members of the Board of Directors and the Management Board

The question of the diversity of members of the Dexia Board of Directors and the Management Board is dealt with in the Dexia Group on two lines:
- diversity regarding skills and training, in order to ensure that, together or individually, the members of the management bodies have the knowledge and skills necessary for an understanding of the Dexia Group's activities and the issues facing the Group;
- observance by Dexia of the legal requirements regarding the representation of women on the Board of Directors.

The Appointments Committee, with the Human Resources department, assess the appropriateness of the skills and experience of members of the executive and non-executive management. It ensures that the diversity criteria are met and if necessary prepares job sheets for posts to be filled, and draws up succession plans integrating such diversity criteria.

Representation of women

In order for the Board of Directors to be composed in a balanced manner regarding the representation of women, and in accordance with the applicable provisions, on 10 March 2020 the Board of Directors adopted an action plan to avoid any shortcoming in the representation of women on the Board of Directors. To date, the Board of Directors is composed of twelve members of which four are women, and the Management Board is composed of six members of which one is a woman.

Expertise and professional skills

Dexia ensures that the members of the management bodies have the appropriate individual and collective skills for the proper performance of their tasks. Dexia ensures that directors and members of the Management Board together and individually have the professional experience and qualifications necessary to understand the Group's activities and the issues it faces.
On the appointment of new members of the Board of Directors and the Management Board, the Appointments Committee makes an individual assessment during which account is taken of the professional experience, technical skills and training of candidates. The prior approval of the supervisory authorities is also obtained before any appointment, renewal or dismissal of a member of the Management Board or the Board of Directors.
The Board of Directors and the Management Board periodically perform self-assessment exercises. The points dealt with are in particular the structure, size, composition and organisation of work (performances and knowledge of members). The collective and individual skills of members of the Management Board, specialised committees and the Board of Directors are also assessed annually. At the end of that assessment and when it proves to be necessary, an inventory of additional skills which might be strengthened on the appointment of new members is also drawn up. By way of example, a head of Operations was appointed within the Management Board in order to strengthen the skills of the Management Board in that regard. That inventory of additional skills is taken into account in the establishment of succession plans by the Appointments Committee.

The Transaction Committee

In line with the objectives of the orderly resolution plan and to simplify the operational conduct of the Dexia Group, on 3 April 2014 Group management approved the creation of a new transversal committee called the "Transaction Committee".
By virtue of the delegations made by the Management Board, the task of the Transaction Committee is to approve each individual transaction which might have an impact on the risk and/or financial profile of the Group and its entities. It replaces the Credit Committee and the Finance and Liquidity Committee. The Transaction Committee meets on a weekly basis and includes the heads of the Assets, Funding and Markets, Finance, Risk and General Secretariat activity lines. It reviews every proposal concerning the sale or restructuring of assets and analyses the expected impacts in relation to criteria validated by the Management Board. A process

of escalation to the Management Board is provided in the case of non-alignment of members of the committee to a transaction.

The ALCO Committee

On 27 March 2017, the Management Board of the Dexia Group approved the creation of a transversal committee called the "ALCO Committee". The ALCO Committee is responsible, by virtue of the delegations granted by the Management Board, for approving certain decisions associated with balance sheet management. In particular, the ALCO Committee approves the funding plan and ALM limits and reviews the risk indicators regarding interest and exchange rates. It delegates the operational implementation to local ALCO committees. The ALCO Committee meets monthly and includes the heads of the Finance, Risk, Funding and Markets and Assets activity lines.

Remuneration policy

A remuneration policy is approved at Dexia Group level, in accordance with the provisions of the Banking Law.

Directors' remuneration

Dexia's 2006 Ordinary Shareholders' Meeting decided to pay an annual maximum global remuneration amount of EUR 1,300,000 to the directors for their services, effective as from 1 January 2005.

The shareholders' meeting also authorised the Board of Directors to determine the practical procedures of this remuneration, which comprises a fixed amount and attendance fees, and its allocation.

Since 1 January 2015, the remuneration of non-executive directors (excluding the Chairman of the Board of Directors) consists of a fixed remuneration of EUR 3,000 per quarter (consolidated at the level of the Board of Dexia Crédit Local as mentioned in the table below) and attendance fees of (EUR 2,000 for meetings of the Dexia Boards, EUR 1,000 for meetings of the Audit Committee and the Risk Committee, and EUR 750 for meetings of the Appointments Committee and the Remuneration Committee. The Chairman of the Audit Committee and the Risk Committee is remunerated for his position (attendance fees are EUR 1,500 per meeting).

Furthermore, an annual global ceiling is defined in the sense that a maximum number of meetings will be remunerated.

Non-executive directors receive no performance-related remuneration, such as bonuses or long-term incentives, or any benefits in kind or benefits associated with pension plans.

Remuneration paid to the Chairman of the Board of Directors

On 29 April 2019, the Board of Directors decided that, taking into account the evolution of the activities and the number of staff members of the Dexia Group, the compensation of the Chairman of the Board of Directors, hitherto paid in full by Dexia, should be paid half by Dexia and half by Dexia Crédit Local. So that the total cost to the Group (including social security charges, employers' contributions and employer's contributions) does not increase, the Chairman accepted that his gross compensation be reduced from EUR 250,000 to approximately EUR 192,000, composed on the one hand of fixed remuneration, and on the other hand of attendance fees paid to all directors.

The principles stated above were reviewed at the end of 2019 allowing the remuneration structure to be modified to take into account the effective number of meetings of the Board of Directors and the specialised committees, while remaining within the limits of the total cost of EUR 250,000 for Dexia (all social charges and contributions borne by the Dexia Group included). The amount of gross annual remuneration thus allocated is EUR 196,751: EUR 69,000 in the form of attendance fees and EUR 127,751 as salary.

Remuneration paid to the Chief Executive Officer

The Chief Executive Officer does not receive any remuneration for his position as a director. However, he is remunerated for his responsibilities as Chief Executive Officer and Chairman of the Management Board (cf. below).

Payment of social security contributions for some directors

In Belgium, all Dexia directors are considered to be self-employed workers and must therefore join an independent workers' pension scheme and, in principle pay social security contributions. Some directors already benefit from social insurance under another system and may therefore be required to pay contributions in Belgium simply because of their office held with Dexia without benefiting from increased social insurance protection.

For instance, this is the case for directors not resident in Belgium who already benefit from social insurance in their country of residence, and who are required to contribute in Belgium to an unrecovered annuity. Likewise, a director resident in Belgium who is subject to the salaried employee system or to the system applicable for public servants as a principal activity and who is required to contribute as an independent worker additionally because of their office held in Belgium without benefiting from increased social insurance compared with what they already qualify for because of their principal activity.

In order to offset the unrecovered social security cost paid by directors who are in this position (subject to an annual review in order to reflect changes in status), the Ordinary Shareholders' Meeting held on 10 May 2006 decided that Dexia will pay the unrecovered social security contributions and the other amounts owed for serving as a director of Dexia and, therefore, raised the maximum limit for directors' compensation from EUR 700,000 to EUR 1,300,000.

To qualify for this payment, directors must meet the conditions required. In 2019, Dexia paid in total EUR 26,266.15 of special security contributions for directors who are in this situation.

REMUNERATION PAID TO DIRECTORS FOR THE EXERCISE OF THEIR MANDATE WITH DEXIA AND IN OTHER GROUP ENTITIES

(Gross amounts in EUR)	BoD (fixed rem. paid by Dexia)	BoD (fixed rem. paid by Dexia Crédit Local)	BoD (attendance fees paid by Dexia)	BoD (attendance fees paid by Dexia Crédit Local)	Audit Committee	Risk committee	Joint Audit/ Risk Committee	Appointments Committee	Remuneration Committee	Total 2018	Total 2019
Directors											
G. Denoyel [1]	59,750	68,001	26,000	34,000	0	0	0	5,250	3,750	156,250 [8]	196,751
W. Devriendt	0	0	0	0	0	0	0	0	0	0	0
G. Albanese	0	0	0	0	0	0	0	0	0	0	0
V. Hugues	0	0	0	0	0	0	0	0	0	0	0
B. Bronselaer [2]	0	0	22,000	30,000	7,000	9,000	3,000	0	0	73,500	71,000
T. Joulia-Paris [1] [3]	0	0	18,000	25,000	1,000	5,000	4,000	0	3,000	0	56,000
C. Cheremetinski [4] [5]	0	0	20,000	28,000	0	0	0	0	5,250	0	53,250
A. De Geest	0	0	26,000	34,000	0	7,000	5,000	1,500	5,250	69,000	78,750
B. Dumont [4]	0	0	26,000	34,000	0	7,000	5,000	0	0	13,000	72,000
Th. Francq [6]	0	0	18,000	30,000	7,000	0	2,000	4,500	0	60,750	61,500
M. De Rouck [1][7]	0	0	6,000	12,000	0	0	0	1,500	2,250	67,250	21,750
A. Serizay [1]	0	0	26,000	34,000	12,000	0	7,500	0	0	66,500	79,500
M. Tison [1]	0	0	26,000	34,000	8,000	3,500	5,000	2,250	5,250	75,000	84,000
K. Van Loo	0	0	20,000	32,000	0	0	0	5,250	0	60,500	57,250

(1) Independent directors.
(2) Since 16 November 2019, Mr B. Bronselaer no longer receives remuneration for his directors' mandates.
(3) Appointment effective on 23 April 2019.
(4) The payment of attendance fees of representatives of the French State is governed by Article 6 of Order 2014-948 dated 20 August 2014.
(5) Appointment effective on 4 February 2019.
(6) The remuneration of Mr Th. Francq is paid with the following breakdown (15% for the French Treasury) 85% paid to Mr Th. Francq. The remuneration for the year 2019 was paid in April 2020.
(7) Resignation effective on 23 April 2019.
(8) For a period commencing on 16 May 2019.

Remuneration of the members of the Management Board of Dexia for 2019

Composition of the remuneration

The remuneration of members of the Management Board is now composed solely of a fixed portion, not linked to performance, and constitutes a whole from which, unless there is a decision to the contrary by the Board of Directors on a proposal from the Remuneration Committee, a deduction is made for any attendance fee or percentage paid to a member of the Management Board by a company in the Dexia Group or by a third party company in which a mandate is exercised in the name and on behalf of Dexia.

Consequently, no variable remuneration was or will be granted for the year 2019 to the Management Board.

Furthermore, in line with the undertakings made by Dexia within the framework of the 2013 guarantee agreement concluded with the Belgian, French and Luxembourg States and for so long as the guarantee obligations exist or are liable to be issued, and unless there is an agreement with the States, Dexia will not make any attribution of options to subscribe to or purchase shares or free shares and no payment of indemnities or benefits indexed to performance, or deferred remuneration in favour of the following persons: Chairman of the Board of Directors, Chief Executive Officer(s) and members of the Board of Directors.

Remuneration for the year 2019

The basic remuneration consists only of a fixed part.

SUMMARY TABLE OF THE BASIC REMUNERATION PAID IN 2019 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Gross basic remuneration
Wouter Devriendt [(1)]	525,000
Bart Bronselaer [(2)]	75,000

(1) Chairman of the Management Board until 15 November 2019.
(2) Chairman of the Management Board as from 16 November 2019.

SUMMARY TABLE OF THE BASIC REMUNERATION PAID IN 2019 TO OTHER MEMBERS OF THE MANAGEMENT BOARD [(1)]

(in EUR)	Gross basic remuneration
Other members of the Management Board	2,427,041

(1) Mrs Aline Bec until 30 April 2019, Mrs Véronique Hugues, Messrs Giovanni Albanese, Benoît Debroise, Guy Cools for the whole year 2019 and Mr Patrick Renouvin as from 15 April 2019.

Supplementary pension schemes for members of the Management Board

Members of the Management Board who do not perform their function within the framework of a French contract (Belgium and the United States) benefit from a supplementary pension put in place by Dexia.

Characteristics of the applicable supplementary pension schemes

All the supplementary pension schemes of the members of the Management Board are defined contribution schemes not generating social liabilities for the company. They give a right, on retirement, to the capital constituted by a capitalisation of annual contributions. These represent a fixed percentage of an annual fixed and limited remuneration.

Amounts paid under these supplementary pension schemes

Annual premiums of EUR 135,775 were paid in 2019 in favour of members of the Management Board including EUR 115,766 for the Chairman of the Management Board and EUR 20,009 for other members of the Management Board.

Supplementary death cover, permanent invalidity and health costs

Collective annual premiums of EUR 114,219 were paid in 2019 in favour of members of the Management Board for supplementary death cover, permanent invalidity and health costs, the breakdown of which appears in the table below.

SUMMARY TABLE OF DEATH COVER, PERMANENT INVALIDITY AND HEALTH COSTS PAID IN 2019 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Death cover, orphans	Invalidity	Health costs
Wouter Devriendt	38,262	15,066	490
Bart Bronselaer	2,834	1,432	46

SUMMARY TABLE OF DEATH COVER, PERMANENT INVALIDITY AND HEALTH COSTS PAID IN 2019 TO OTHER MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Death cover, orphans	Invalidity	Health costs
Other members of the Management Board	8,055	3,543	44,491

Other benefits granted to the members of the Management Board

SUMMARY TABLE OF BENEFITS GRANTED IN 2019 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Representation costs	Telephone allowance	Car allowance
Wouter Devriendt	3,355	158	3,473
Bart Bronselaer	0	30	411

SUMMARY TABLE OF BENEFITS GRANTED IN 2019 TO OTHER MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Representation costs	Telephone allowance	Car allowance
Other members of the Management Board	0	0	26,524

Option plan

Since 2009, no option plan has been granted or exercisable.

Severance conditions

Provisions relating to severance payments under the Dexia remuneration policy

According to Dexia remuneration policy, any severance payment must correspond to effective performances in time and be designed not to reward failure or improper conduct.
Members of the Management Board of Dexia cannot be granted a severance payment of more than nine months of fixed remuneration.
Departing from the above, Dexia may grant a higher severance payment if the person concerned, prior to the grant of the executive mandate, in accordance with the contractual framework applicable and on the basis of their accumulated length of service with the Dexia Group, might be entitled, in the case of severance, to a payment in lieu of notice higher than the aforementioned severance payment. Those conditions might be applicable to Mrs Véronique Hugues and Messrs Giovanni Albanese, Guy Cools, Benoît Debroise and Patrick Renouvin.

Departures during the year 2019

Mr Wouter Devriendt left Dexia with effect from 15 November 2019. No severance payment was made on that occasion.
Mrs Aline Bec retired with effect from 30 April 2019. Having less than five years length of service and in accordance with the collective bargaining agreement, she received no retirement payment.

Internal control and risk management system

Principal characteristics of the internal control system

Nature and objectives of internal control

The Dexia Group [1] is subject to the Single Supervisory Mechanism and the Single Resolution Mechanism put in place by the European authorities. The objectives and organisation of its internal control fall within the framework defined for these supervisory and resolution mechanisms as well as by the legislation and regulations of the countries in which Dexia operates.
The Group's internal control charter defines the fundamental principles governing the internal control function. Approved by the Board of Directors on 19 November 2015, this charter applies to all Group entities.

The control function contributes to:
• the effectiveness of the risk management process: the aim of the internal control function is to guarantee that the bank's activities are conducted with a degree of control over risks compatible with the level of risks accepted by the Board of Directors;
• compliance with laws and regulations: internal control contributes to guaranteeing that Dexia fulfils its legal and regulatory obligations;
• the effectiveness and security of operational processes: internal control contributes to the proper functioning of operational processes and the effectiveness of operations, the integrity of information and compliance with decisions taken;
• the accuracy of accounting and financial information: internal control contributes to giving an assurance of the pertinence, accuracy, regularity, exhaustiveness and transparency of the production of accounting and financial information.

General architecture of the function

The general architecture of the internal control function of the Dexia Group is based on organisation at three levels:
• **The first level of control** is performed by each staff member and their superiors, in accordance with responsibilities that have been expressly delegated to them, procedures applicable to the activity they perform, and with instructions provided to them by their superiors;
• **The second level of control** is performed by specialised functions, independent from the activities controlled or members of staff who are independent from the activities controlled;
• **The third level of control** is performed by the Dexia Group Audit activity line, the task of which is, through periodic checks, to ensure that there is efficient and effective performance of both of the levels of control defined above, within the holding company and all of its entities.

The main internal control participants

The participants concerned by internal control are as follows:
• **Staff members and their direct managers** are responsible for defining and implementing first level controls, as an integral part of their activity, in accordance with regulations. The heads of each activity line are responsible for defining and updating a body of procedures adapted to the complexity and risks associated with their activity.
• **Permanent Control** has the role of challenging key first level controls, implementing second level controls and collecting the results of key second level controls implemented by other specialised functions (for instance: Accounting Control, Validation, Credit Model Control).
• **Compliance** ensures that all the regulations in the fields entrusted to it by the compliance charter adopted by the Board of Directors are applied on a permanent basis and do not, through their absence or non-application, result in the company running risks, either of administrative, disciplinary, financial or even reputational penalty.
• **Internal Audit** considers all the objectives of the organisation, analyses the risks liable to compromise the achievement of those objectives and periodically assesses the robustness of the controls put in place to manage such risks.

(1) For the Dexia Group as for the Dexia Crédit Local Group, the notion of group used in the present report covers the parent company and the consolidated companies.

The responsibilities of the Board of Directors and of the Management Board

The Board of Directors is responsible for defining the bank's general strategy and risk appetite. It is also ultimately responsible for the management of risks and relations with shareholders. As for internal control, this includes:

• assessing the introduction of independent control functions;

• monitoring the correct evaluation of the risks run by the bank and the proper balance between the strategy and the human and financial resources allocated to ensuring the control of such risks;

• examining the policies in place to ensure compliance with laws and regulations, including regularly examining the Compliance Charter, the Internal Audit Charter and the remuneration policy;

• examining control and activity reports issued periodically by the main participants in internal control, in accordance with the regulations and their procedures.

Specialised committees (the Risk Committee and the Audit Committee) advise the Board of Directors on the bank's global strategy and risk appetite. As for internal control, these committees assist the Board of Directors in its task of assessing the bank's level of risk and in the introduction of an appropriate internal control system. They also assist the Board in examining reports from internal control.

The Management Board is responsible for the operational establishment and maintenance of an appropriate internal control system. It is entirely responsible for providing the resources and skills appropriate to the internal control functions. It sets the deadlines for implementation and allocates the means to internal control actions decided. Finally, it adjusts these requirements in relation to internal and external developments observed.

The independence of the internal control functions

Internal control functions are strictly independent of the functions they control and daily activity management:

• The General Auditor, the Chief Compliance Officer and the Chief Risk Officer, to whom Permanent Control is attached, report on the results of their control activities directly to the Management Board and to the Board of Directors.

• The General Auditor, the Chief Compliance Officer and the Chief Risk Officer have direct access to the Chairman of the Board of Directors, to the Chairman of the Audit Committee and to the Chairman of the Risk Committee.

• A specialised committee assists the Board of Directors with regard to the remuneration of the General Auditor, the Chief Compliance Officer and the Chief Risk Officer. Their remuneration is determined independently of the remuneration of the functions controlled.

• The Board of Directors is kept informed of appointments of the General Auditor, the Chief Compliance Officer and the Chief Risk Officer. The Board of Directors must give his express consent in the case where the Management Board decides to replace them.

Operational principles

Internal control activities are guided by the following principles:

• Risk-based approach: internal control within Dexia adopts a risk-based approach. The internal control functions determine their control programmes and their activities on the basis of a prior risk assessment.

• Coordination: the control functions work in a coordinated manner in order to avoid redundancies of tasks and the duplication of action plans.

• Common methodological references and tools: the control functions share common references and nomenclatures (for instance a common risk reference) and common methodological tools, in order to facilitate the production of reports to the bank's governance bodies.

The internal control participants

Internal Audit

Role

Internal Audit is an independent and objective activity giving the Board of Directors and the Management Board of the Dexia Group assurances concerning the quality and effectiveness of its internal control system, risk management and governance systems and procedures, contributing towards the protection of the Group's interests and reputation.

It considers all the objectives of the organisation, analyses the risks associated with those objectives and periodically assesses the robustness of the controls in place to manage those risks. It then provides management with an assessment of the residual risks so that management can validate the appropriateness for the global risk profile desired for the Dexia Group, and proposes actions to increase the effectiveness of controls. Moreover, Internal Audit assists the Boards of Directors of the Group and its entities in their supervisory role through its participation on the Audit Committees.

In line with international standards, a joint Dexia Group Audit Charter sets out the fundamental principles governing the internal audit function and describing its objectives, role and responsibilities, as well as how it operates. This charter was updated in March 2019 to take account of the Group's new configuration.

So that each Dexia Group staff member can appreciate the importance of the internal audit function's role within the Dexia Group's internal control and management support systems, the audit charter has been published on the Dexia website (*www.dexia.com*).

Main guidelines

The strategy, the level of requirements and the rules of operation for Internal Audit within the Dexia Group are set by the Dexia Management Board, within the framework approved by the Board of Directors, through its Audit Committee. This framework takes account of the requirements, legislation and local regulations and instructions from the prudential control authorities.

The independence and effectiveness of the audit function are guaranteed by applying the following principles:

• Each Internal Audit department reports directly to the highest level of authority within the entity.

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• The absence of involvement in the organisation and operational management of Group entities. The Management Boards of Group entities may exceptionally call on internal audit for opinions, advice or assistance. The rules relating to those duties are defined in § 9 of the audit charter;

• Unconditional and immediate access to information: within the framework of its tasks, the internal audit function has access to all the information, documents, premises, systems and persons within the entity for which it is responsible, including all management reports and the minutes of and information packages prepared for any advisory and decision-taking bodies. The Dexia Group Internal Audit department has access to all the information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, if relevant, the Audit Committee.

• The provision of the means necessary to perform its task: Internal Audit receives from the Group's Management Board the means necessary to perform its task so as to respond constantly to changes in the Group's structures and environment. At an individual level, each auditor must show the greatest professionalism and have ongoing training to ensure their mastery of the rapid changes to audit, banking, financial and IT techniques and those for combating fraud. Training needs are assessed in periodic and annual assessments. Statutory Auditors are required to comply with the Dexia Group's rules of professional ethics, as well as those specific to their profession. This means observance of the following fundamental principles:

• Integrity: the integrity of internal auditors is the basis for confidence in and the credibility of their judgement

• Objectivity: auditors must show the highest degree of professional objectivity in collecting, assessing and communicating information relating to the activity or process examined. Internal auditors fairly assess all the relevant elements and are not influenced in their judgement by their own interests or those of others.

• Confidentiality: internal auditors have a duty of professional secrecy; they respect the value and ownership of the information they receive and only disclose this information with the required authorisations, unless a legal or professional obligation forces them to do so.

• Competence: internal auditors use and apply the knowledge, know-how and experience required for the performance of their tasks.

Scope for intervention

All the Dexia Group's activities, processes, systems and entities are within the scope of action for Internal Audit, without any reservations or exceptions. The scope includes all processes, whether operational, support, management, corporate governance and risk management and control processes. Outsourced essential activities also fall within the audit scope, given that operational services are responsible for organising the conditions for the possibility of audits by including audit clauses in service agreements.

Other than exceptions associated in particular with requests from the supervisory authorities, the audit scope does not however cover the activities of companies in which the Dexia Group only holds a minority interest. However, Dexia's representative on the Board of Directors is responsible for learning about the state of the internal control mechanism and, if necessary, alerting the Management Board and the Audit department of the entity which holds that interest.

Organisation of the function

Principles

The Dexia Group Internal Audit function operates as an integrated support line composed of the Audit department of Dexia and the Audit departments of the entities.

The activity line is headed by the General Auditor of Dexia, who reports to the Chief Executive Officer of Dexia. The General Auditor guarantees the appropriate cover of risks throughout the Group as a whole. He monitors the supervisory bodies of the entities, as well as all the tasks performed by the local bank supervisory authorities. The General Auditor periodically reports to the Management Board and to the Audit Committee, on the tasks, powers and responsibilities of internal audit, the degree of implementation of the audit plan and the assessment of the internal audit environment.

The audit departments of the entities are under the responsibility of a General Auditor or a Head of Internal Audit. The General Auditors of Group entities report to the General Auditor of Dexia. The General Auditor of Dexia is responsible, in particular, and in association with the Chief Executive Officer of the entity concerned, for their appointment, setting their targets and their annual assessment. The auditor recruitment plans and the establishment of the budget for the audit departments of the main entities are also examined jointly. The heads of the internal audit teams of entities report to the General Auditor of Dexia.

Each audit department is responsible for performing their task to the Chairman of the Management Board, to the extent that local rules permit, and to the Board of Directors of that entity, possibly assisted by an Audit Committee.

Each General Auditor attends meetings of the Management Board of his entity (i) when the body in question asks him to, (ii) when he presents an audit report or (iii) on his request when he wishes to raise a particular point within the framework of his attributions and responsibilities. He receives the agenda and files prepared for these meetings, as well as the minutes.

Each General Auditor has direct access to the Chairman of the Board of Directors, to members of the Audit Committee and the auditors of his entity. The General Auditor of any Group entity also has direct access to the General Auditor of Dexia.

The Chairman of the Board of Directors of each entity may delegate certain tasks to Internal Audit. Tasks performed within this framework are the subject of a report to the Audit Committee like other tasks performed by Audit.

Organisation of the Audit function

When a Dexia Group entity exercises control over a subsidiary or, if there is no such control, when the supervisory authorities expressly so request, then an audit function is established in that subsidiary. If the creation of an audit function is not considered relevant, the parent company will perform the local audit function and if necessary a service level agreement (SLA) is concluded with the parent company.

Management of the Audit activity line

In order to manage the activity line, the Audit department of Dexia ensures the appropriateness of the organisation of the Internal Audit in place in the Dexia Group as a whole and the quality of its operation.

The Audit department of Dexia is responsible for:

- the audit strategy and its proper implementation in all Dexia Group audit departments;
- the definition and application of a common methodology for analysing risks, performing tasks and monitoring recommendations made;
- the optimum allocation of competences within the function and determining the level of training required of auditors throughout the Group;
- the coordination and assessment of training programmes;
- the attribution and monitoring of the operating budget for each local audit department.

Relations with the supervisory authorities and the statutory auditors

Internal Audit maintains regular dialogue with the banking supervisory authorities and statutory auditors on subjects of common interest. These exchanges are aimed in particular at sharing observations and recommendations made by both parties on internal control matters and ensuring a good coordination of the respective interventions. Internal audit also monitors recommendations made by the supervisory authorities and the statutory auditors under the same conditions as for recommendations made by Internal Audit.

General overview of activity during the year 2019

In 2019, Internal Audit's assignments covered all of the Group's business lines: Assets (International Local Public Sector Assets), Funding and Markets (Short-Term Funding), Risk (Risk Appetite Framework), Finance (Asset Liability Management), General Secretariat (Compliance AML), Operations and Information Systems (EUC for Regulatory Reporting).

The head office audit departments assisted the local audit teams at Dexia New York and Dexia Crediop, in particular in the performance of assignments relating to IT security and the Monolines credit risk.

The Inspection Unit

Role

The role of Inspection is to contribute, independently and objectively, to controlling fraud risks. It intervenes through awareness, prevention and dissuasion, detection and, as the case may be, investigation actions and proposes and monitors corrective measures following such interventions.

Organisation and governance

Inspection performs its tasks within the Internal Audit department and is responsible for the performance of its tasks in relation to the Group General Auditor.

It does so for Dexia and Dexia Crédit Local, as well as for all the entities depending on them, which do not have their own inspection function. The function is performed full-time by an inspector reporting to the head of Internal Audit and Inspection who in turn reports to the Group General Auditor. If necessary, the function is performed working closely with the head of Internal Audit for the entity concerned.

An inspection charter sets out the fundamental principles governing the function, describing the objectives, roles, powers, duties and responsibilities, terms of operation and the basic rules governing it, including rules of professional ethics.

General overview of activity during the year 2019

In accordance with the principles set out in the Inspection charter, the tasks performed by Inspection in 2019 related to awareness, prevention and detection of fraud, enquiries in relation to suspicions of fraud, as well as data extraction, and, in support of the Legal department for litigation files. Inspection also worked on assessing anti-fraud mechanisms (pay, expense notes) under an audit mission format.

The Compliance function

The Compliance function is an independent function within the Dexia Group. It carries out its activities without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality and its objectivity.

Compliance is an integral part of the internal audit mechanism of credit institutions and investment companies. The Compliance department at Dexia Crédit Local ensures the coherence and effectiveness of managing the risks of non-compliance within Dexia. The Compliance fields are as follows:

- the fight against money laundering and the financing of terrorism (including the prevention of tax fraud);
- the fight against corruption (prevention of corruption and prohibited behaviours);
- the control of information relating to the tax situation of clients and counterparties to respond to existing regulations;
- market abuse and personal transactions;
- integrity vis-à-vis financial markets and clients;
- data protection;
- confidentiality and professional secrecy;
- prevention of conflicts of interest;
- external mandates;
- independence of the statutory auditors;
- observing the principles stated by remuneration policy and legal requirements with regard to the expertise and professional honour of members of the Management Board, directors, heads of independent audit functions and executives;
- internal warning system;
- other fields indicated by the Management Board and the Board of Directors, considering the level of associated risk. In this regard the Compliance department of the Group and of Dexia Crédit Local guides the permanent control mechanism of the entities concerned.

Within the framework of the fields of competence listed above, the Compliance function performs the following tasks:

- It analyses legal and regulatory developments in order to anticipate and assess possible consequences on the activities of Dexia and Dexia Crédit Local. For the areas covered by Compliance, It provides an interpretation of national and international legislation and regulations and ensures that these provisions are included in the policies, procedures and other documents of the institution;

• It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial products and the impacts in terms of evolution of the Group's scope;
• It provides assistance to business lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct, in order to ensure the compliance with regulations and external or internal norms;
• It develops and provides compliance training programmes, adapted to the needs of business lines, promoting an appropriate compliance culture and awareness and understanding of standards, procedures and lines of conduct to be applied;
• To the extent that it is required by local regulations, it communicates with the financial supervisory authorities or any other competent authority about any suspect incident or transaction;
• It regularly presents its activities and reports on the status of any major shortcomings to the Management Board, the Board of Directors, the Audit Committee and the Risk Committee.

Organisational structure

The Chief Compliance Officer of the Dexia Group and of Dexia Crédit Local reports to the Secretary General. An escalation right enables the Chief Compliance Officer automatically to include an item on the agenda for meetings of the Management Board if circumstances so demand and to report any significant incident directly to the Chairman of the Board of Directors of Dexia and/or to members of the Audit Committee as well as the supervisors.
The Chief Compliance Officer ensures that there is a consistent and effective policy within all the entities of the Dexia Group. Each regulated entity has a Compliance Officer in charge of application of the appropriate policy within their entity. These Compliance Officers report operationally to the Chief Compliance Officer.
In accordance with the regulations, the Dexia Compliance department also has responsibility for the implementation of the mechanism to combat money laundering and terrorism financing.
As for data protection and then the entry into force of the General Data Protection Regulation (GDPR), the Compliance department has, in collaboration with the business lines, identified and listed all the processing which involves personal data, updated and redrafted the internal procedures relating to the rights of the persons concerned and the warning of breaches, and identified an external service provider to dispense computer-aided training for all staff members.

Charter

The role of Compliance and the guidelines underlying the approach adopted by Dexia and Dexia Crédit Local are included in the Compliance Charter, approved by the Board of Directors and applicable since 2009. Since then it has been periodically reviewed.
Since 2015, the Compliance Charter has included the contributions of the CRD IV regarding the provisions relating to the Chief Compliance Officer and has enabled the areas of competence of Compliance Officers of the entities to be broadened if the regulations so require.
The Compliance Charter is applicable to all the regulated entities in the Dexia Group.

Permanent Control

The Permanent Control mechanism outside Compliance relies firstly on the realisation of controls conceived, realised and formalised under the primary and direct responsibility of the operating units concerned and their managers (first level permanent control). In other units, it relies on agents exclusively dedicated to control tasks, independently of operating units (second level permanent control).
The Permanent Control department is part of Permanent Control, Operational Risk and IT Systems Security within the Risk activity line. This positioning, close to the operational risk management function, allows a tighter association of the review of controls and risk assessment of the Group's main processes. Other specialised units also carry out second-level controls in the areas of accounting, IT systems security, credit rating, validation of internal models and market risk. In 2019, the Accounting and Regulatory Control function of the Finance activity line, implemented its control plan, which includes recurring closing work, process reviews and the control of exceptional operations.
Permanent Control relies on a control plan which consists of a selection of first level and second level controls. The plan covers the processes of head office, the entities and essential outsourced processes. First level controls to be integrated in this plan are offered by decentralised correspondents within operational units, departments, entities and service providers. They are reviewed by the Permanent Control department which may, as the case may be, play a prescriptive role. Permanent Control also designs second level controls which it is responsible for realising. The review of the Permanent Control plan is determined on the basis of the mapping of processes, the analysis of corresponding operational risks, operational incidents gathered and the recommendations of internal audit, the statutory auditors and the supervisory authorities.
At a consolidated level for all entities and service providers, the Permanent Control department sees to the quarterly performance of the controls of the plan, ensuring a second reading of the proper implementation of controls and making a critical analysis of the results having regard to the risks identified. Permanent Control may ask for any substantiation of the differences observed and ensures the implementation of the necessary action plans, enabling malfunctions to be remedied.
The Permanent Control department is coordinated with other internal control actors and uses a tool and risk references and processes common to the entire Group. It receives the result of the second level controls performed by other independent control functions. The Permanent Control department accounts for its work to the Chief Risk Officer, the Management Board and the Risk Committee.

Characteristics of Internal Control within the context of producing accounting and financial information

The financial statements

The Finance activity line has the following five departments, reporting to the Chief Financial Officer: Financial Strategy, Product Control, Finance IT Support, Financial Control and Finance Business Management.

The Financial Control department brings together the Accounting department and the transversal functions of Consolidation, Management Control, Tax, Norms and Consolidated Regulatory Reporting.

The Accounting department sees to the production of basic accounting data and the financial statements of Dexia, Dexia Crédit Local, and those of the subsidiaries which do not have their own Accounting departments, if that task is not performed by a fiduciary.

The Accounting department also has a role of analysing and controlling the accounting data of branches, as part of the process of preparing the statutory accounts. In collaboration with the Consolidation and Management Control department, in particular it checks that the information provided is consistent and complies with Group rules.

More generally, the Accounting department has various means of information to perform its task of monitoring the accounting function in the broad sense. It is associated with committees which may be of interest in its task or the recipient of minutes. Through regular contacts with its local correspondents, it ensures the proper dissemination of Group principles and proper interpretation of instructions given. It participates in the development of IT systems, so as to ensure that its specific requirements are taken into account.

Within the framework of the outsourcing contracts for IT and back-office services and the IT infrastructure that link Dexia and Cognizant, risk monitoring is carried out by Dexia's Risk department for the governance of operations and risks through the joint Dexia / Cognizant committees. The Watchtower team, set up within Dexia, is in charge of verifying the execution and quality of the services provided by Cognizant, while the effective control of outsourced activities is carried out by the Internal Control of the Dexia and Cognizant entities. Finally, a quarterly report is produced to monitor the operational risks associated with strategic projects and to ensure that corrective actions are implemented to reduce the most significant risks.

Dexia statutory financial statements

Dexia head office accounting and also that of the permanent establishment in Paris is kept in Brussels.

Additional checks are made by teams in the Accounting department when drawing up the quarterly, half-year or annual financial statements. Balances and the principal changes must be justified.

Dexia consolidated financial statements

In order to prepare their contribution to the Dexia consolidated financial statements, the consolidated entities reprocess their statutory financial statements established in line with local standards in order for them to comply with the accounting principles of the Dexia Group (IFRS accounting standards as adopted in the European Union). These principles are compiled in a consolidation manual sent to each Group entity. They are completed, on each accounting date, by operational instruction notes provided to the entities by the head office Consolidation department. These instruction notes present the improvements to be made to processes with a view to observations made over previous periods and detail the developments to be taken into account (systems, new data to be provided and so on) over the period.

The financial statements sent to the Group by the various entities are then consolidated and are subject to certain adjustments. The principal account adjustments by the Consolidation service relate to the elimination of reciprocal accounts and intragroup transactions (acquisitions/asset disposals, dividends and so on). They also deal with the treatment of companies held by different Group entities.

When the consolidated financial statements have been finalised, they are submitted for review to the Chief Financial Officer who has them approved by the Management Board. They are then presented to the Audit Committee and signed off by the Board of Directors of Dexia.

Some of the notes and appendices to the consolidated financial statements are not drawn up directly by the Financial Control department, but come from the various departments, such as Financial Strategy, the Risk activity line, the General Secretariat or Human Resources.

The planning of the provision of this information and the final responsibility for the content of the consolidated financial statements are assumed by the Finance activity line.

Periodic prudential reporting

Standardised Common Reporting or COREP and the calculation of solvency margins on a consolidated basis are sent to the European Central Bank via the national supervisory authorities four times a year.

Dexia is subject quarterly to the consolidated Financial Reporting or FINREP of financial companies.

Dexia is also subject to other banking prudential reporting.

Management information

The financial statements (balance sheet, off-balance-sheet, income statement, cash-flow tables and appendices) are not the only detailed elements of analysis which Dexia sends to its shareholders, its investors and the public. They are completed by financial indicators, breakdowns and results analyses, outlooks and risk assessments, which are integrated in the annual report or submitted when presentations are made to shareholders, investors and the press.

Some of these elements are supplied directly by operational departments or by the risk control department. Their accuracy is guaranteed by the internal control system of the departments concerned.

The majority of financial indicators and in particular those necessitating a crossing or aggregation of data from different origins, the breakdown of figures available globally, or a reprocessing of account data in relation to management parameters, are provided by the Consolidation and Management Control department.

These indicators are elaborated on the basis of information processed directly from local IT systems, and those of international entities. It is summarised monthly in a report to the Dexia Management Board.

In the French and foreign entities with their own management control team, the monitoring of financial indicators and the analysis of results are guided locally in accordance

with the same standards and the same principles, depending on the size, organisation and systems of each entity. These instructions are common throughout the Dexia Group.
The whole is guided, monitored and supervised by the Consolidation and Management Control department, which provides all the entities with standardised and secure collection tools, to make reliable and to optimise the information collection mechanism. Finally, the department aggregates everything.
The information aggregation process is performed in parallel with the consolidation process guided by the accounting functions. At each stage of the establishment of consolidated data, consistency controls are performed, based on the reconciliation of analytical and accounting information. This reconciliation is a vital element of internal control. It is completed by a systematic analytical review of the principal items.

Risk inventory

Banking activity generates four major types of risks: credit risk, market risk, transformation risk and operational risk (including legal risk).
The monitoring of all of these risks is detailed in the chapter entitled "Risk Management" in this annual report.

External control

Statutory auditors

The statutory auditors make regular checks on the financial reporting of the various entities and subsidiaries of the Dexia Group.
They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties, they analyse the accounting procedures and assess the internal control systems necessary for reliably establishing the financial statements. They issue instructions to the statutory auditors of the entities and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Lastly, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial position and results of the company and that the information given in the notes is appropriate. They issue an opinion on the Group's statutory and consolidated financial statements.
By virtue of Article 14 of the Articles of Association of Dexia, the auditing of the company's financial position and annual financial statements is entrusted to one or more auditors who are appointed by the shareholders' meeting for a maximum of three years on the recommendation of the Board of Directors and after validation by the works council.
The statutory auditing of Dexia's financial statements has been entrusted to Deloitte Reviseurs d'Entreprises SCRL, the mandate of which was renewed by the ordinary shareholders' meeting in May 2017 and the company Mazars Reviseurs d'Entreprises SC, which was also appointed by this shareholders' meeting for a term of three years closing at the end of the ordinary shareholders' meeting in May 2020. The company Deloitte is represented by Mr Yves Dehogne, chartered auditor and the company Mazars by Mr Xavier Doyen, chartered auditor.

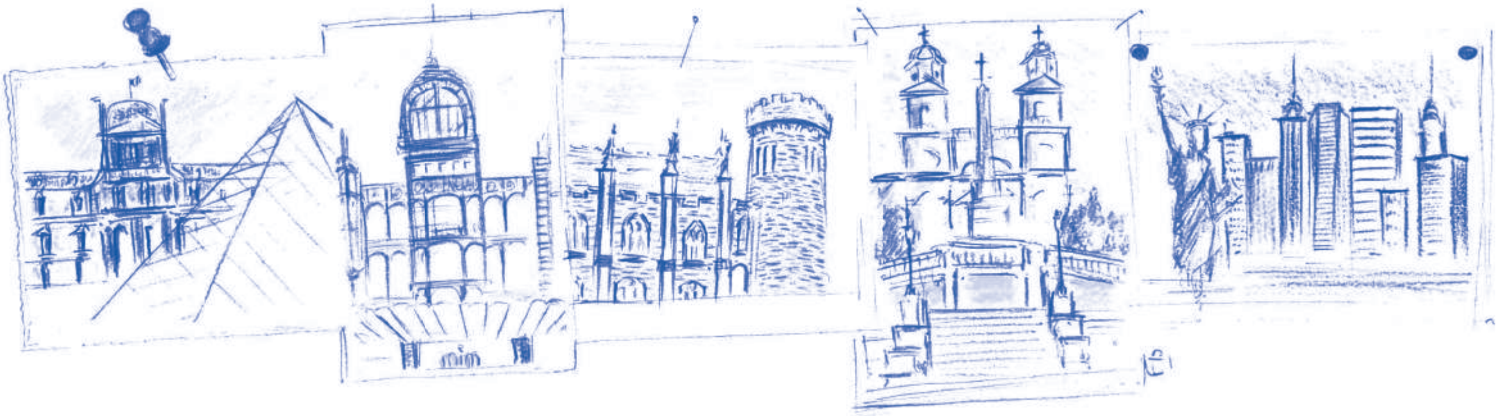
This table gives an overview of the remuneration paid to the auditors for their services in 2019 for Dexia and the entire Dexia Group.

DELOITTE (in EUR thousand)	**Services provided for Dexia**	**Services provided for the Dexia Group (consolidated amounts)**
a) Audit of the financial statements	287	1,768
b) Other tasks (non-certification)	0	112
TOTAL	**287**	**1,880**

MAZARS (in EUR thousand)	**Services provided for Dexia**	**Services provided for the Dexia Group (consolidated amounts)**
a) Audit of the financial statements	283	1,742
b) Other tasks (non-certification)	0	7
TOTAL	**283**	**1,749**

Protocol for the Dexia Group's prudential structure

In application of Regulation EU 1024/2013 of the Council dated 15 October 2013 entrusting the European Central Bank (ECB) with specific tasks concerning policies for the prudential supervision of credit institutions, the European Central Bank decided that the Dexia Group was an important group within the meaning of Article 6 §4 of the Regulation, and that all of its subsidiaries subject to prudential supervision on a consolidated basis in accordance with Regulation 575/2013 were important entities subject to prudential supervision by the ECB.
With the assistance of national supervisory authorities, the ECB supervises institutions classified as important. Daily supervision is by joint supervisory teams (JST), which include the staff of the various national supervisory authorities and the ECB.



Consolidated Financial Statements as at 31 December 2019

Consolidated balance sheet

ASSETS (in EUR million)	**Note**	**31/12/2018**	**31/12/2019**
Cash and central banks	2.2	9,269	9,844
Financial assets at fair value through profit or loss	2.3 & 4.1	13,421	14,247
Hedging derivatives	4.1	1,263	1,378
Financial assets at fair value through other comprehensive income	2.4	4,916	2,837
Financial assets at amortised cost - Debt securities	2.5	45,502	36,301
Financial assets at amortised cost - Interbank loans and advances	2.6	23,665	23,087
Financial assets at amortised cost - Customer loans and advances	2.7	35,158	31,785
Fair value revaluation of portfolio hedges		748	576
Current tax assets		39	15
Deferred tax assets	4.2	20	20
Accruals and other assets	2.8	389	157
Non current assets held for sale	4.6	24,375	0
Tangible fixed assets	2.9	2	50
Intangible assets	2.10	37	29
TOTAL ASSETS		**158,804**	**120,326**

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

LIABILITIES (in EUR million)	**Note**	**31/12/2018**	**31/12/2019**
Financial liabilities at fair value through profit or loss	3.1 & 4.1	11,872	14,780
Hedging derivatives	4.1	21,151	19,184
Interbank borrowings and deposits	3.2	20,091	11,778
Customer borrowings and deposits	3.3	4,873	3,851
Debt securities	3.4	67,960	62,728
Fair value revaluation of portfolio hedges		13	7
Current tax liabilities		3	2
Deferred tax liabilities	4.2	40	35
Accruals and other liabilities	3.5	411	336
Liabilities included in disposal groups held for sale	4.6	24,055	0
Provisions	3.6	368	243
Subordinated debt	3.7	126	20
Total liabilities		**150,963**	**112,964**
Equity	3.8	**7,841**	**7,362**
Equity, Group share		7,504	7,302
Capital stock and related reserves		2,489	2,489
Consolidated reserves		6,390	6,152
Gains and losses directly recognised in equity		(902)	(441)
Net result of the period		(473)	(898)
Minority interests		337	60
TOTAL LIABILITIES AND EQUITY		**158,804**	**120,326**

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)	Note	31/12/2018	31/12/2019
Interest income	5.1	7,827	7,321
Interest expense	5.1	(7,778)	(7,333)
Commission income	5.2	11	10
Commission expense	5.2	(15)	(17)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(144)	(15)
Net gains (losses) on financial instruments measured at fair value through other comprehensive income	5.4	(91)	(149)
Net gains (losses) arising on derecognition of financial assets measured at amortised cost	5.5	(16)	(254)
Net gains (losses) on reclassification of financial assets measured at amortised cost into fair value through profit or loss	2.13	0	(314)
Other income	5.6	28	72
Other expenses	5.7	(54)	(67)
NET BANKING INCOME		**(232)**	**(746)**
Operating expenses	5.8	(369)	(350)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.9	(17)	(29)
GROSS OPERATING INCOME		**(618)**	**(1,125)**
Cost of credit risk	5.10	128	265
OPERATING INCOME		**(490)**	**(860)**
Net gains (losses) on other assets	5.11	8	0
NET RESULT BEFORE TAX		**(482)**	**(860)**
Income tax	5.12	(40)	33
Result from discontinued operations, net of tax	4.6	23	(111)
NET INCOME		**(499)**	**(938)**
Minority interests		(26)	(40)
NET INCOME, GROUP SHARE		**(473)**	**(898)**

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR million)	31/12/2018			31/12/2019		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET INCOME			**(499)**			**(938)**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	26		26	13		13
Changes in fair value of debt instruments at fair value through other comprehensive income	197	(1)	196	71	(1)	70
Revaluation of hedging derivatives	345	(1)	344	143	1	144
Other comprehensive income from disposal groups held for sale (1)	(296)	1	(295)	248		248
Elements that will never be reclassified or likely to be subsequently reclassified in net income						
Actuarial gains and losses on defined benefit plans				(3)		(3)
Own credit risk revaluation directly recognised in equity for the financial liabilities designated at fair value through profit or loss (FVTPL)	(4)	1	(3)	(7)	(6)	(13)
Transfer within consolidated reserves of own credit risk amounts related to financial liabilities designated at fair value through profit or loss, upon their derecognition (2)	(24)		(24)			
Reevaluation directly recognised in equity of equity instruments at fair value through other comprehensive income	1		1	1		1
Transfer within consolidated reserves of reevaluation of equity instruments at fair value through other comrehensive income, upon their derecognition				(1)		(1)
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**245**	**0**	**245**	**465**	**(6)**	**459**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(254)**			**(479)**
of which, Group share			(209)			(438)
of which, Minority interests			(45)			(41)

(1) As at 31 December 2018, Dexia Israël left the scope of consolidation. This generated a movement of EUR - 47 million. Also, Dexia Kommunalbank Deutschland being a non current assets held for sale, its gains and losses directly recognised in equity are in this item for an amount of EUR - 248 million.
In 2019, the exit from the scope of consolidation of Dexia Kommunalbank Deutschland generates a movement of EUR 248 million.
(2) Termination Guaranteed Investment Contracts (GICs).

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves				Consolidated reserves	Gains and losses directly		
	Capital stock	Related reserves	Treasury shares	Total		Change in fair value of debt instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of equity instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of cash flow hedges, net of taxes
AS AT 1 JANUARY 2018	**500**	**1,990**	**(1)**	**2,489**	**6,366**	**(408)**	**(1)**	**(922)**
Movements during the period								
Translation adjustments								
Own credit risk reclassified from accumulated other comprehensive income to equity upon reimbursement of financial liabilities at FVTPL					24			
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity						264	1	
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income						(77)		
Gains and losses of the period of cash flow hedge derivatives, through equity								135
Gains and losses on cash flow hedge derivatives reclassified in profit or loss								(30)
Changes in fair value of financial liabilities designated at fair value through profit or loss arising from changes in own credit risk (OCR)								
Changes in actuarial gains and losses on defined benefit plans								
Transfers [1]						9		239
Subtotal of changes in gains and losses directly recognised in equity					**24**	**196**	**1**	**344**
Net income for the period								
Impact disposal Dexia Israel								
AS AT 31 DECEMBER 2018	**500**	**1,990**	**(1)**	**2,489**	**6,390**	**(212)**	**0**	**(578)**
Movements during the period								
Appropriation of net income 2018					(473)			
Subtotal of shareholders related movements					**(473)**			
Translation adjustments								
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity						33	1	
Equity instruments at fair value through other comprehensive income: transfer of the cumulative gain or loss within equity					1		(1)	
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income						135		
Reclassification of financial assets at amortised cost into financial assets at fair value through other comprehensive income (change in business model) [2]						(98)		
Reclassification of financial assets at amortised cost into financial assets at fair value through profit or loss (change in business model) [2]								124
Gains and losses of the period of cash flow hedge derivaitves, through equity								(6)
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.								24
Changes in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk (OCR)								
Changes in actuarial gains and losses on defined benefit plans								
Subtotal of changes in gains and losses directly recognised in equity					**1**	**70**	**0**	**142**
Net income for the period								
Impact disposal Dexia Kommunalbank Deutschland								
Impact of the increase of the percentage interest in Dexia Crediop					234		1	4
AS AT 31 DECEMBER 2019	**500**	**1,990**	**(1)**	**2,489**	**6,152**	**(142)**	**1**	**(432)**

(1) As Dexia Kommunalbank Deutschland (DKD) is presented as Non current assets held for sale, its gains and losses directly recognised in equity are presented separately.
(2) See note 2.13 Reclassificaton of financial assets at amortised cost into financial assets at fair value through profit or loss and into financial assets at fair value through other comprehensive income.

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

recognised in equity					Net income, Group share	EQUITY, GROUP SHARE	Minority interests			EQUITY
Change in unrealised or deferred gains and losses related to non current assets held for sale	Actuarial gains and losses on defined benefit plans	Change in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk	Translation adjustments	Total			Capital and reserves	Gains and losses directly recog-nised in equity	Total	
29	(1)	75	62	(1,166)	0	7,689	412	20	432	8,121
			26	26		26			0	26
		(24)		(24)		0			0	0
				265		265		1	1	266
				(77)		(77)			0	(77)
				135		135			0	135
				(30)		(30)			0	(30)
		(3)		(3)		(3)			0	(3)
	1			1		1			0	1
(248)				0		0			0	0
(248)	**1**	**(27)**	**26**	**293**		**317**		**1**	**1**	**318**
					(473)	(473)	(26)		(26)	(499)
(29)				(29)		(29)	(51)	(19)	(70)	(99)
(248)	**0**	**48**	**88**	**(902)**	**(473)**	**7,504**	**335**	**2**	**337**	**7,841**
					473	0			0	0
					473	**0**			**0**	**0**
			14	14		14			0	14
				34		34			0	34
				(1)		0			0	0
				135		135			0	,135
				(98)		(98)				(98)
				124		124				124
				(6)		(6)		1	1	(5)
				24		24			0	24
		(13)		(13)		(13)			0	(13)
	(2)			(2)		(2)		(1)	(1)	(3)
0	**(2)**	**(13)**	**14**	**211**		**212**		**0**	**0**	**212**
					(898)	(898)	(40)		(40)	(938)
248				248		248			0	248
	(3)			2		236	(234)	(2)	(236)	0
0	**(5)**	**35**	**102**	**(441)**	**(898)**	**7,302**	**60**	**0**	**60**	**7,362**

Consolidated cash flow statement

(in EUR million)	31/12/2018	31/12/2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(499)	(938)
Adjustment for:		
- Depreciation , amortization and other impairment	16	29
- Impairment losses (reversal impairment losses) on bonds ,loans and other assets	(122)	(328)
- Net (gains) or losses on investments	(25)	95
- Net increases (net decreases) in provisions	(5)	(129)
- Unrealised (gains) or losses on financial instruments	64	221
- Deferred taxes	42	(13)
Changes in operating assets and liabilities	(118)	770
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(647)**	**(293)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(19)	(12)
Sale of fixed assets		13
Sales of unconsolidated equity shares	33	6
Sales of subsidiaries and of business units [1]	(632)	328
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(618)**	**335**
CASH FLOW FROM FINANCING ACTIVITIES		
Reimbursement of subordinated debts [2]	(34)	(106)
Cash outflow related to lease liabilities		(10)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(34)**	**(116)**
NET CASH PROVIDED	**(1,299)**	**(74)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**11,877**	**10,626**
Cash flow from operating activities	(647)	(293)
Cash flow from investing activities	(618)	335
Cash flow from financing activities	(34)	(116)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	48	26
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**10,626**	**10,578**
ADDITIONAL INFORMATION		
Income tax paid	(15)	(18)
Dividends received	5	9
Interest received	9,397	7,633
Interest paid	(9,261)	(7,708)

(1) 31/12/2018: Disposal of Dexia Israël.
31/12/2019: Disposal of Dexia Kommunalbank Deutschland (DKD).
(2) See note 3.7.b.

The notes on pages 71 to 151 are integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods, ownership interests in subsidiaries and other entities, significant items included in the statement of income, other significant event of the year, post-balance-sheet events and presentation of the effect of IFRS 16 "Leases"on the balance as at 1st January 2019

1.1. Accounting policies and valuation methods

GENERAL INFORMATION

The Group's parent company is Dexia, a limited company under Belgian law whose shares are no longer publicly traded following its delisting from the Euronext Brussels as from 2 December 2019. Its registered office is located at Place du Champ de Mars 5 – B-1050 Brussels (Belgium).

These consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The common used abbreviations below are:

- IASB: International Accounting Standards Board
- IFRS IC: IFRS Interpretations Committee (ex IFRIC)
- IFRS: International Financial Reporting Standards

1.1.1. BASIS OF ACCOUNTING

1.1.1.1. General

Dexia's consolidated financial statements are prepared in accordance with the IFRS adopted by the EU.

The European Commission published Regulation EC 1606/2002 on 19 July 2002 requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.

Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to 31 December 2019, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

Our accounting principles include mainly elements where an IFRS text allows the possibility of choice.

The consolidated financial statements of Dexia as at 31 December 2019 were prepared in line with the accounting rules applicable to a going concern in accordance with IAS 1 § 25 and 26. This requires a number of constituent assumptions underlying the business plan for the resolution of the Dexia Group, decided upon by the European Commission in December 2012 and established on the basis of the elements available on the date the financial statements were approved by the Board of Directors. In particular:

- The macroeconomic hypotheses underlying the business plan are revised as part of the half-yearly reviews of the overall plan. The update made on the basis of market data observable as at 30 June 2019 and validated by the Board of Directors of Dexia on 19 December 2019 integrates the regulatory developments known to that date, including the final version of the CRD IV Directive. It also takes account of the non-renewal, as from 1 January 2019, of the specific approach granted by the European Central Bank for the supervision of the Dexia Group. This update does not integrate the results of the on-site inspection (OSI) by the European Central Bank on operational risk and outsourced activities, on which the definitive report has not yet been received by Dexia.
- The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured funding.
- The latest update of the business plan takes account of a revision of the funding plan relying on the last observable market conditions. Dexia has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to the prudent management of its liquidity. This enables the Group to maintain a level of liquidity reserves which is deemed appropriate considering the restriction of access to European Central Bank funding announced on 21 July 2017. As at the end of 2019, Dexia had a liquidity buffer amounting to EUR 19.4 billion, half of which consisted of cash.
- The acceleration of the deleveraging decided during the summer 2019, combined with the sale of DKD, led to a

EUR 32 billion decrease of the Group's funding requirement over the year, partially driven by a rapid reduction of the funding requirement in US dollar. The achievement of the funding programme in 2019, in line with the budget, as well as the successful launch of its first 2020 7-year benchmark issue for EUR 1.5 billion is a reflection of the good funding capacity of Dexia which resilience vis-à-vis the risk of liquidity, in normal market circumstances, strongly improved in 2019. Finally, the confirmation by the European Commission of the prolongation of the liquidity guarantee provided by the French and Belgian States beyond 31 December 2021 for up to EUR 75 billion provides great comfort for the continuation of the Group's orderly resolution.

• The business plan assumes the maintenance of the banking licences of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at the level of Investment Grade.

• When assessing the appropriateness of the going concern, the management has challenged the consistency of the strategic choices made by its shareholders with long-term financial forecasts. The management also factored in the constraints and uncertainties related to its operating model as well as the risk attached to its operational continuity, given its specific nature of a bank in run-off, and took the appropriate actions to mitigate such risks.

Uncertainties remaining with regard to implementation of the business plan over the duration of the Group's resolution led to regular reviews and adjustments to the original plan and, over time, may involve a significant change of the Group's resolution trajectory as initially anticipated. In particular, this plan is likely to be impacted by new developments in accounting and prudential rules.

The Dexia Group is also very sensitive to the evolution of the macroeconomic environment and to market parameters, particularly exchange rates, interest rates and credit spreads. An unfavourable evolution of these parameters over time could weigh on the Group's liquidity and its solvency position. It could also impact the valuation of financial assets, liabilities and OTC derivatives, fluctuations of which are booked in the income statement and are liable to result in a fluctuation of the level of the Group's regulatory capital. In particular, considering decisions taken by the Board of Directors in relation to the implementation of two asset sales programmes, for a total amount of approximately EUR 18 billion, Dexia is exposed to the evolution of macroeconomic conditions and market parameters on these assets until their effective disposal.

Finally, the Group is exposed to certain operational risks, specific to the resolution environment in which it operates.

At this stage, these uncertainties do not raise any question as to the nature or the fundamentals of the resolution, which justifies the decision to establish the financial statements in accordance with the "going concern" principles pursuant to IAS 1.

Moreover, Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. On the date of approval of the Group's financial statements by the Board of Directors, the severity of the pandemic has had major consequences on the financial markets. It will have a severe impact on economic growth and could lead to a deterioration in the quality of the assets held by the Group that cannot be assessed at this stage.

Dexia has rapidly implemented the necessary measures to ensure operational continuity within the context of a confinement of staff members and subcontractors. Its liquidity reserves enable it to cope with the tensions existing on the money market on the date of approval of the financial statements by the Board of Directors and the measures announced by the supervisors to relax solvency ratios increase its excess capital buffer.

As a consequence, after taking account of all these elements developed in part in Appendix 1.5.2. to the consolidated financial statements in this annual report, Dexia management confirms that, at the end of 2019, the financial statements can be prepared in accordance with the rules applicable to a going concern in accordance with IAS 1 § 25 and 26. The subsequent analysis of the effects of the Covid-19 crisis carried out by Dexia management has not led to call into question the assessment of the going concern agreement.

The consolidated financial statements are presented in millions of euro (EUR) unless otherwise stated.

1.1.1.2. Accounting estimates and judgements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. To make these assumptions and estimates, management uses the information available at the date of preparation of the financial statements and exercises its judgement. While management believes that it has considered all available information in developing these estimates, actual results may differ from the estimates and the differences could be material to the financial statements.

• financial instruments not quoted in an active market are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc. (see 1.1.7.);

• the use of valuation models when determining the fair value for financial instruments measured at fair value (see 1.1.7.);

• determination on whether Dexia controls the investee, including structured entities (IFRS 10) (see 1.1.3.);

• identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.1.15.);

• identification of the conditions allowing the application of hedge accounting (see 1.1.10., 1.1.11.);

• existence of a present obligation with probable outflows in the context of litigations (see 1.1.22.);

• impairment determination based on expected credit loss (ECL) approach: determination of criteria for significant increase in credit risk, choice of appropriate models and assumptions for the measurement of ECL (IFRS 9) (see 1.1.6.2.5.);

• identification of a lease contract, assessment of the reasonable certainty of exercising or not exercising any extension or early termination options of a lease, classification of leases (as a lessor) (see 1.1.18.).

These judgements are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

• determination of expected credit losses (ECL) to be recognized for impairment of financial assets under IFRS 9: establishment of the number and relative weightings of forward-looking scenarios and determination of the forward looking information relevant to each scenario, determination of Probability of Default (PD) and Loss Given Default (LGD) (see 1.1.6.2.5.);

• determination of fair value less costs to sell for non-current assets and disposal groups held for sale (see 1.1.15.);

• measurement of hedge effectiveness in hedging relationships (see 1.1.10., 1.1.11.);
• determination of the market value correction to adjust for market value and model uncertainty (see 1.1.7.);
• determination of the useful life and the residual value of property, plant and equipment, and intangible assets (see 1.1.13., 1.1.14.);
• actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.1.21., 3.6.);
• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.1.20.);
• determination of the value of right-of-use assets and lease liabilities of lease contract : determination of the lease period, determination of the discount rate to assess the present value of lease payments, determination of any impairment of the right-of-use asset (see 1.1.18.);
• determination of the uncertainty over income tax treatments (see 1.1.20.) and other provisions for liabilities and charges (see 1.1.22.)

IBOR Reform

Following the weaknesses revealed by the financial crisis regarding the IBOR interbank rate indexes, a reform has been launched at international level following the recommendation of the Financial Stability Board in order to strengthen the reliability of benchmark methodologies and to replace current benchmark rates by new risk-free rates. Financial instruments based on the current benchmark rates will have to be amended in order to reflect the new rates. At this stage, uncertainties still remain as to the timetable and exact replacement conditions of the indexes.

Within the European Union, the regulation EU 2016/1011 of 8 June 2016 (known as "the Benchmarks Regulation" or "BMR") applicable as from 1 January 2018 introduces a common legal framework regarding the provision of benchmarks. As part of the implementation of this regulation, the administrators of EONIA, EURIBOR and LIBOR were required to review and, if necessary, to modify the methodologies used for these indexes in order to make them compliant to the new BMR provisions.
In the euro zone, EONIA will be replaced by €STR as from 1 January 2022. EONIA will be maintained during the transition period and as from 2 October 2019 it is based on €STR (EONIA = €STR + 8.5 bps). Regarding EURIBOR, a new so-called "hybrid" methodology was recognized as BMR compliant as from July 2019 and this rate was added to the benchmark register of the European Securities and Markets Authority (ESMA).
Regarding LIBOR, the new SOFR and SONIA indexes, intended to replace the LIBOR USD and LIBOR GBP indexes respectively, are published as from 2018 but the publication of the latter will continue at least until the end of 2021. Greater uncertainties remain as regards transactions using the LIBOR index.

Dexia holds financial instruments indexed to the benchmark rates targeted by the reform and is mainly exposed to indexes in EUR, USD and GBP currencies. Moreover, the valuation of Dexia derivative contracts will also be impacted by changes in cash collateral agreements with OTC counterparties or clearing houses. For derivative contracts with clearing houses, the transition to €STR and SOFR for the remuneration of cash collateral and the discounting is scheduled for 22 June 2020 and 19 October 2020 respectively.

A project structure has been set up within Dexia since the second half of 2018 in order to ensure the transition to the new benchmark rates. This project involves all of Dexia's business lines and functions. It aims to anticipate the impacts of the reform from a legal, commercial, financial, accounting and operational viewpoint and to implement the transition process to the new indexes while reducing the risks linked to this transition and respecting the deadlines defined by the regulators. The reporting on the progress of the project was done on regular basis to the Management Board as well as to the Board of Directors.

This reform could have impacts on the accounting treatment and measurement of financial assets and liabilities using these benchmarks as well as on the accounting treatment of the related hedging derivatives. The IASB has launched the research project on this topic with the aim to limit the potential accounting impacts of the reform. An amendment to the current accounting standards regarding hedge accounting was published in September 2019 and deals with issues in the pre-replacement period (see paragraph 1.1.21.1.). A second text on the accounting issues after the entry into force of the new benchmark rates is expected in 2020 and will deal in particular with derecognition and modification of financial assets and liabilities indexed to the benchmark rates targeted by the reform and with hedge accounting.

In this context, Dexia considers that under the current market conditions and following the clarifications of the IASB on the accounting impacts presented in paragraph 1.1.2.1. (Amendment to IFRS 9, IAS 39, IFRS 7 "Interest Rate Benchmark Reform"), the IBOR reform does not affect as of 31 December 2019 its existing hedging relationships documented under IAS 39.

Brexit

Dexia follows the progress of the discussions and their possible consequences, and they are, when appropriate, taken into account in assumptions and estimates used in preparing its consolidated financial statements. Dexia considers that the possibility of the transfer of its post-Brexit derivatives clearing activities to the European Union zone has no impact on its existing hedging relationships for the period ended 31 december 2019.

1.1.2. CHANGES IN ACCOUNTING POLICIES SINCE THE PREVIOUS ANNUAL PUBLICATION THAT MAY IMPACT DEXIA GROUP

1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 2019

• The **new IFRS 16 "Leases"** standard, in replacement of IAS 17 standard and related interpretations, sets out principles for the identification and treatment of lease arrangements in the financial statements of both lessees and lessors.

The new standard introduces significant changes to lessee accounting: it eliminates the distinction between operating and finance leases under IAS 17 and provides an accounting model, requiring lessees to recognise all leases on the balance sheet, subject to limited exceptions. Therefore, if a contract is a lease as defined by the standard, the lessee recognises a right-of-use asset for the underlying asset and a lease liability which is measured at inception at the present value of lease payments discounted over the lease term. Subsequently, the right-of-use asset is depreciated usually on a straight-line basis over the lease term and impairment is recognised if necessary. The lease liability is recognised at amortised cost using the effective interest rate method. In the income statement, depreciation charge for the right-of-use asset is presented separately from interest expense on the lease liability.

In contrast, IFRS 16 does not include significant changes to lessor accounting.

The updated accounting policies to take into account IFRS 16 for leases as applied from 1st January, 2019 are presented in note 1.1.18.

In accordance with the transitional provisions of IFRS 16, Dexia has chosen not to restate comparative information for prior periods (simplified retrospective approach). The accounting policies applicable to lease contracts under IAS 17 described in note 1.1.18.3. "Leases (IAS 17)" apply for comparative periods.

First time application principles, options and exemptions retained

As permitted by the transition requirements of IFRS 16, Dexia applies the new standard to contracts that had been previously identified as leases under IAS 17 standard.

As lessee, Dexia decided to apply the simplified retrospective transition method under which the cumulative effect of the first time application of the standard should be recognised as an adjustment to the opening balance of retained earnings as at 1st January 2019.

In accordance with IFRS 16, Dexia does not apply the new standard to leases of intangible assets (e.g. software) and has made the choice not to apply the new lease accounting model to lease contracts with a term of less than one year (including renewal options) and to contracts for which the underlying asset, when new, is of low unit value (Dexia applies the exemption threshold of EUR 5,000).

On the date of first application and considering the transition method chosen by Dexia as a lessee, Dexia applies the following principles for contracts previously classified as operating leases under IAS 17 :

• The lease liability is measured at the date of first time application by Dexia at the present value of remaining lease payments discounted for each contract using incremental borrowing rate at the transition date. This rate reflects the average term weighted by the lease payment flows (duration) of the lease contract and is based on the remaining term of the contract.
In order to determine the lease term, Dexia considers the non-cancellable period of the contract considering, if applicable, by renewal and termination options that Dexia is reasonably certain to exercise (see note 1.1.18.). Following the IFRS IC decision as at 26 November 2019 related to the determination of the enforceable period to be used for the accounting of leases, the analysis of its potential impacts on the Dexia's financial statements is ongoing. Dexia does not expect this decision to have a material impact on its financial statements.
• Regarding the right-of-use asset, Dexia decided to measure it at the date of first time application at the amount equal to the lease liability, determined at the transition date, adjusted by the amount of any prepaid or accrued lease payments.
The application of IFRS 16 standard led Dexia to make assumptions and estimates in order to determine the value of the right-of-use assets and lease liabilities. These assumptions and estimates are mainly related to the incremental borrowing rate and the lease term.

In addition, Dexia applies transition practical expedients as authorized by IFRS 16, the most important of which are:
• recognition of leases with the remaining term within 12 months from the date of first application as if they were short-term leases;
• instead of performing an impairment test, adjusting the right-of-use assets by any provisions for onerous leases recognised as at 31 December 2018.

Deferred tax will be recorded on the basis of the net amount of taxable and deductible temporary differences. On the date of the initial recognition of the right-of-use asset and the lease liability, no deferred tax is recorded if the asset value is equal to the liability value. The net temporary differences that may result from subsequent changes in the right-of-use asset and lease liability will result in the recognition of deferred tax.

First time application impacts

For Dexia, as lessee, the application of the new standard results in an increase in assets and liabilities related to lease agreements accounted for as operating leases under IAS 17. This impact is due to the lease contracts of office buildings used by the Dexia group entities.
Dexia does not apply IFRS 16 to the IT outsourcing contract as it was not identified as containing a lease: Dexia is not the unique user of servers and other IT hardware and has no means to influence their acquisition and management.

For Dexia, as lessor, the impact is very limited.

The main impacts of the IFRS 16 application as at 1st January 2019 and the transition disclosures are presented in the note «Presentation of the effect of the standard IFRS 16 "Leases" on the balance as at 1st January 2019». The application of the standard did not result in any transitional adjustments to be accounted for in the retained earnings on the first time application date (simplified retrospective approach).

• **Amendment to IAS 19** "Plan Amendment, Curtailment or Settlement". This amendment has no significant impact on Dexia's financial statements due to limited impact of defined benefit plans at Dexia's group level.

• **IFRIC 23** "Uncertainty over Income Tax Treatments", which clarifies the application of IAS 12 "Income Taxes" regarding accounting and valuation, where there is uncertainty as to the treatment of income tax. This interpretation has no significant impact on Dexia's financial statements. The updated accounting principles to take into account IFRIC 23 are presented in note 1.1.20.

• **Annual Improvements to IFRS Standards - 2015–2017** cycle which are a collection of amendments to existing IFRS standards. These amendments do not have a material impact on Dexia's financial statements as they are related to minor adjustments of some IFRS standards

• **Amendments to IAS 28** “Long-term interests in Associates and Joint Ventures”. This amendment has no impact on Dexia’s financial statements as Dexia has no investments in associates or joint ventures.

• **Amendment to IFRS 9, IAS 39, IFRS 7** “Interest Rate Benchmark Reform”. These amendments to standards relating to financial instruments were published by the IASB in September 2019 in the context of the reform on the replacement of the IBOR benchmarks by alternative benchmark rates and address the issues related to hedge accounting in the period of uncertainty prior to the entry into force of these new rates. The IASB proposal aims at maintaining the existing hedging relationships and assumes that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered. These amendments introduce reliefs mainly regarding the respect of the highly probable requirement for the cash flows hedged, the respect of the “separately identifiable” requirement for the risk hedged, the prospective and retrospective effectiveness testing. Moreover, these amendments require the additional disclosures for the hedging relationships that are directly affected by these uncertainties.
These amendments, adopted by the European Commission on 15 January 2020, are applicable as from 1 January 2020 with the early application permitted. Dexia opted for the early application of this amendment in order to ensure the continuity of its hedging relationships as of 31 December 2019.
Dexia's hedging relationships are mainly indexed on EONIA, EURIBOR and LIBOR rates. For these hedging relationships, the hedged and hedging instruments will be gradually amended to incorporate the new rates (replacement of the interest rate benchmark, insertion of replacement clauses known as "fallback" clauses). Dexia will apply the reliefs introduced by the amendments as long as the uncertainties are not resolved regarding the timing and the amount of cash flows, i.e. until the effective amendment of clauses of the affected financial instruments. The notional amounts of hedging derivatives impacted by the interest rate reform and to which these amendments are applied are presented in note 7.7 “Hedge accounting”. Additional information on IBOR reform is presented in paragraph 1.1.1.2.

1.1.2.2. IASB texts and IFRIC interpretations endorsed by the European Commission during the current year but not yet applicable as from 1 January 2019

• **Amendment to References to the Conceptual Framework in IFRS Standards.** This amendment is effective as from 1 January 2020 and its impact on the presentation of the Dexia's financial statements is currently being assessed.

• **Amendments to IAS 1 and IAS 8 “Definition of Material”.** This amendment is effective as from 1 January 2020 and Dexia does not expect this amendment to have a significant impact on its financial statements.

1.1.2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

None

1.1.2.4. New standard IFRS 17 “Insurance Contracts”

This standard issued by IASB in Mai 2017 in replacement of the current IFRS 4 “Insurance Contracts” standard, is effective as from 1 January 2021 and will have no impact on the financial statements of Dexia as Dexia has no insurance contracts within the scope of the standard.

1.1.2.5. New definition of default

As stated by the European Banking Authority (EBA) guidelines, the new default definition (defined by article 178 of Regulation (EU) n° 575/2013) will enter into force as from 1 January 2021. The Regulation (EU) 2018/1845 of the European Central Bank (ECB), applicable by 31 December 2020 at the latest, complete these regulatory measures for the past-dues materiality threshold. These new regulations will strengthen consistency and harmonize practices of the European credit institutions for the identification of defaulted exposures.
Dexia applies a unique definition of default for its whole portfolio and will apply this new regulation for the identification of defaulted positions from mid-2020. To be noted that Dexia already follows-up on a quarterly basis as from 2019 the default qualification under the new definition of default along with the current definition.
The performed impact assessment demonstrates a limited impact on (i) default classification and (ii) credit risk parameters and models.

1.1.2.6. Changes in presentation of consolidated financial statements of Dexia

The condensed consolidated financial statements of Dexia have been prepared in accordance with the ANC (Autorité des Normes Comptables, Authority for Accounting Standards) presentation. As at 31 December 2019, they are compliant with ANC Recommendation 2017-02 issued on 2 June 2017 “on the presentation of the consolidated financial statements of banks prepared in accordance with International Financial Reporting Standards” which cancels and replaces the Recommendation 2013-04 issued on 7 November 2013.

As a result of the application of IFRS 16, the main changes in the financial statements are:
• Right-of-use assets are presented within “Tangible fixed assets” for lease contracts of office buildings, within the same line item as that within which the corresponding underlying assets would be presented if they were owned by Dexia.
• Lease liabilities are presented within “Accruals and other liabilities”.
• In the income statement, the depreciation charge for the right-of-use asset is presented under “Depreciation, amortisation and impairment of tangible fixed assets and intangible assets” and the interest expense on lease liabilities is presented under “Interest expense”.
• In the cash flow statement, cash outflows related to leases liabilities are classified within financing activities for the principal portion and within operating activities for interest portion.

As a result of applying IFRIC 23 as from 1 January 2019 and in accordance with IFRS IC's position (IFRIC Update June 2019), Dexia has reclassified liabilities related to uncertain tax positions from the line “Provisions” to the "Current tax liabilities" line.

1.1.3. CONSOLIDATION

1.1.3.1. Subsidiaries and structured entities

Subsidiaries are those entities over whose Dexia may exercise control. Entities controlled by the Group are fully consolidated. Under IFRS 10 "Consolidated Financial Statements", the Group controls an entity if and only if the Group has all the following:

• power over the entity;

• exposure, or rights, to variable returns from its involvement with the entity;

• the ability to use its power over the entity to affect those returns.

Dexia has power over an investee when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. When power over an entity is obtained directly and solely from the voting rights granted by equity instruments, the investor that holds a majority of those voting rights controls the entity.

In other cases, especially for structured entities, the assessment of control is more complex and may require greater use of judgment considering other factors. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, Dexia is particularly involved in securitisation vehicles and investment funds.

The ability to direct the relevant activities is assessed by considering: the purpose and design of the investee; managing financial assets during their life, including the management upon default; selecting, acquiring, disposing or replacing of assets; appointing and remunerating an investee's key management personnel and terminating their employment. Dexia determines whether it is exposed, or has rights, to variable returns by considering: dividends and other distributions of economic benefits; exposure to loss through instruments that absorbs variability (including CDSs as sellers of protection or junior tranches designed to absorb the first losses and paid on credit risk exposure basis); remuneration for servicing an investee's assets or liabilities; returns that are not available to other interest holders.

An investor controls an investee when it not only has power over investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee. Thus, an investor with decision-making rights shall determine whether it is a principal or an agent considering all the factors below:

• the scope of its decision-making authority over the investee;

• the rights held by other parties (including right to remove the decision maker);

• the remuneration to which it is entitled in accordance with the remuneration agreements;

• the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Subsidiaries are fully consolidated as of the date on which effective control is transferred to Dexia and are no longer consolidated as of the date on which Dexia's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.

Changes in the Dexia's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. When the proportion of the equity held regarding non-controlling interests (minority interests) changes, the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

When Dexia loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

• the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

• the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary at the date on which control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.1.3.2. Associates and joint venture

Associates are investments in which Dexia has significant influence, but does not exercise control. This is usually the case when Dexia owns between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement of which two or more parties undertake a jointly controlled economic activity. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and are required to agree unanimously to decisions about the relevant activities of the arrangement.

Dexia has no equity method investments.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with IAS 32, financial assets and financial liabilities are offset (and consequently, the net amount only is reported) when Dexia has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The derivative instruments transacted by Dexia with clearing houses that meet the two criteria required by IAS 32 are offset on the balance sheet. Offsetting effects are disclosed in the note 4.3. "Offsetting financial assets and financial liabilities".

1.1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.1.5.1. Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from Dexia's presentation currency are translated into Dexia's presentation currency (EUR) at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity accompanied by a loss of control,

such exchange differences are recognised in the income statement as part of the gain or loss on disposal.
Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the foreign entity and are translated at the closing rate.

1.1.5.2. Foreign currency transactions
For individual Dexia entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at period-end or year-end are translated at period-end or year-end exchange rates for monetary items and non-monetary items carried at fair value. Historical rates are used for non-monetary items carried at cost. The resulting exchange differences from monetary items are recorded in the consolidated income statement, except for the foreign exchange impact related to fair value adjustments on assets measured at fair value through OCI, which is recorded under "Other comprehensive income". For non-monetary items carried at fair value, the exchange differences are governed by the same accounting treatment as for fair value adjustments.

1.1.6. FINANCIAL ASSETS AND LIABILITIES
Dexia applies all the requirements of IFRS 9, except for the hedge accounting transactions which are accounted for in accordance with IAS 39.
Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its financial instruments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

1.1.6.1. Recognition and derecognition of financial instruments
Dexia recognises and derecognises financial assets Held for trading measured at Fair Value Through Profit or Loss (FVTPL), that require delivery within the established timeframes (a "regular way" purchase or sale), on trade date. For these financial assets, Dexia recognises in the income statement, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia recognises these unrealised gains and losses under "Net gains (losses) on financial instruments at fair value through profit or loss".
All other "regular way" purchases and sales of financial assets not Held for trading are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia.
Dexia derecognises all or part of a financial asset if the contractual rights to the cash flows from the financial asset expire, including following substantial changes to its contractual terms (see 1.1.6.2.4. Accounting for early repayments and restructuring of loans), or if these contractual rights to receive the cash flows of the financial asset or substantially all of the risks and rewards of ownership are transferred. In this case, any rights or obligations created or retained at the time of transfer are recognised separately as assets and liabilities.
Dexia recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia derecognises financial liabilities only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. A financial liability may also be derecognised as a result of substantial changes in its contractual terms.

1.1.6.2. Classification and measurement of financial assets
On initial recognition of a financial asset, Dexia first assesses the contractual terms of the instrument in order to classify it as an equity instrument (according to the definition in IAS 32 from the issuer's perspective) or a debt instrument.
An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. In order to satisfy this condition, Dexia verifies that the instrument includes no contractual obligation for the issuer to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. Puttable instruments do not meet the definition of equity instruments.
Any instruments issued which do not meet the criteria of equity instruments are classified as debt instruments by Dexia.

1.1.6.2.1. Classification and measurement of debt instruments
On initial recognition, debt instruments are classified as measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL). The classification of debt instruments is based on both: the contractual cash flow characteristics of the assets and the entity's business model for managing these assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)
The SPPI assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI.
Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, interest is mainly consideration for the time value of money and credit risk, and can also include consideration for other basic lending risks (liquidity risk) and costs (administrative costs) associated with holding the financial asset for a period of time, as well as a profit margin. For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition.
In assessing whether the contractual cash flows are SPPI, Dexia considers the contractual terms of each instrument, particularly those that could change the timing or amount of contractual cash flows. In making the assessment, Dexia applies judgment when considering whether certain contractual features, such as interest rate reset frequency or non-recourse features, significantly affect future cash flows.
A contractual term that permits the borrower or the lender to prepay or to put the debt instrument back to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount substantially represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. Such compensation can be either positive or negative. Judgment is required when assessing whether compensation paid or received on early termination of lending arrangements results in cash flows that are not SPPI.
Dexia's debt instruments are mainly SPPI which includes vanilla floating or fixed rate loans or securities. Dexia's non-SPPI debt instruments include some structured loans to local public entities with a contractual interest rate based on a formula with

leverage effect, indexed on currency exchange rates or long term interest rate index (such as "Constant Maturity Swap" rates).

Business model assessment

The business model assessment is done on a portfolio basis and is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI.

The business model reflects how a group of debt instruments is managed based on objectives determined by the key management personnel of Dexia. A business model is a matter of fact and typically observable and is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and depending on how cash flows are generated (collecting contractual cash flows and/or selling the assets).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

• a business model whose objective is to collect contractual cash flows over the life of the instrument;

• a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

• and other business models including held for trading, where collecting contractual cash flows is only incidental.

Dexia exercises judgment to determine the appropriate level at which to assess its business models.

Any significant sale project of a financial asset that is managed within the business model whose objective is to collect contractual cash flows over the life of the instrument is subject to analysis and validation by the Transaction Committee, acting as a competence center at Group level.

Debt instruments measured at Amortised Cost (AC)

A debt instrument is classified as measured at AC if it meets the following conditions:

• it is held within a business model whose objective is to hold financial assets to collect the contractual cash flows; and

• the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Sales are not an integral part of the amortised cost business model but may be consistent with this business model if the realisation of disposals is close to the maturity of the instrument and for an amount close to the remaining contractual cash flows, or due to an increase in the counterparty's credit risk. Sales imposed by regulatory requirements or to manage the concentration of credit risk (without an increase in the asset's credit risk) are also consistent with this business model when they are infrequent or insignificant in value.

Dexia recognises debt instruments at AC initially at fair value plus transaction costs and subsequently at amortised cost, adjusted for any allowances for expected credit losses (ECL). Interest is calculated using the effective interest rate method and recognised in net interest income.

The effective interest rate (except for purchased or originated credit impaired assets) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, to the gross carrying amount of the financial asset not considering the expected credit losses.

Debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI)

A debt instrument is classified as measured at FVOCI if it meets the following conditions:

• it is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; and

• the contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Dexia recognises debt instruments at FVOCI initially at fair value (including transaction costs). Interest is recognised based on the effective interest rate method and recorded in net interest income.

Dexia subsequently measures these instruments at fair value (see 1.1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value are recognised within equity under the heading "Changes in FV of debt instruments at FVOCI".

When assets are disposed of, Dexia recycles the related accumulated fair value adjustments in the income statement in "Net gains (losses) on financial instruments measured at FVOCI".

Debt instruments measured at Fair Value Through Profit or Loss (FVTPL)

All other debt instruments are classified in the FVTPL category and consist of assets:

• not held in a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. This is the case for financials assets held with an objective of realising cash flows through the sale of these assets and for which the collection of contractual cash flows is only incidental. Moreover, this is the case for a portfolio of financial assets which fall within the definition of assets held for trading acquired for generating a profit from short-term fluctuations in price or dealer's margins, or included in a portfolio in which a pattern of short-term profit-taking exists.

• or alternatively, held in such business model but the contractual terms of the instrument give rise, on specified dates, to cash flows that are not SPPI.

These assets are mandatorily measured at FVTPL.

Dexia initially recognises and subsequently re-measures loans and debt securities held for trading and non-trading assets mandatorily measured at FVTPL in the line "Financial assets at fair value through profit or loss" at their fair value, with all realised and unrealised gains and losses recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". According to Dexia's accounting policy choice, interest income is accrued using the effective interest rate method and is recognised in net interest income.

Debt instruments designated at Fair Value Through Profit or Loss (FVO)

In some cases and if appropriately documented, Dexia can irrevocably designate, on initial recognition, a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as to be measured at FVTPL (Fair Value Option (FVO)) where such designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would otherwise arise.

Unrealised gains and losses on these assets are recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". According to Dexia's accounting policy choice, interest is recognised in net interest income.

Reclassifications between categories

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Dexia exceptionally changes its business model for managing financial assets. A reclassification only occurs when changes in business model are determined by the senior management of Dexia as a result of external or internal changes that are significant to Dexia's operations and demonstrable to external parties.

The reclassification of assets applies prospectively from the start of the first reporting period following the change in business model. Any previously recognised gains, losses (including impairment gains or losses) and interests are not restated.

At the first application of IFRS 9, and consistently with the Orderly Resolution Plan, approved by the European Commission in 2012, which requires Dexia to manage the residual assets in run-off without any new commercial activity and without accelerated sale, the majority of Dexia's financial assets were held with an objective to collect the cash flows over the life of these assets. Another part of Dexia's financial assets were managed within a collect and sale business model.

The change in Dexia's business model decided by the Board of Directors following the events that took place in 2019 led to the reclassification of portfolios of financial assets from "financial assets at amortised cost " to "financial assets at fair value through profit or loss" for the assets designated to be sold and "financial assets at fair value through other comprehensive income" for the assets for which the decision of disposal has not be taken so far.

The change in business model which took place in the first half of 2019 in the context of the transformation of the DCL New York branch (DCL NY) led to the reclassification of financial assets as at 1 July 2019. The impact of this reclassification is presented in note 2.13. The change in business model which took place in the second half of 2019 in view of the evolving supervisory requirements will lead to the reclassification of financial assets as from 1 January 2020 (see note 1.5. Post-balance-sheet events).

In the case of the reclassification of financial assets into the "fair value through profit or loss" category, Dexia measures their fair value at the reclassification date and any gain or loss arising from a difference between the previous amortised cost of the financial asset (adjusted for fair value changes attributable to the interest risk being hedged) and the fair value is recognised in profit or loss and presented on a separate line in the income statement under "Net gains or losses resulting from the reclassification of financial assets at amortized cost to financial assets at fair value through profit or loss".

In the case of the reclassification of financial assets into the "fair value through other comprehensive income" category, Dexia measures their fair value at the reclassification date and any gain or loss arising from a difference between the previous amortised cost of the financial asset (adjusted for fair value changes attributable to the interest risk being hedged) and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

The derivatives designated as hedges of the interest-rate risk relating to financial assets reclassified into the "fair value through profit or loss" category are no longer eligible as hedging instruments. On the reclassification of these assets, the hedging relationships were discontinued and these derivatives were consequently classified as Held for trading derivatives. The interest rate risk of these assets is still economically hedged by these derivatives but the volatility related to other risk components and in particular to credit risk still remains.

1.1.6.2.2. Classification and measurement of investments in equity instruments

Financial equity instruments within the scope of IFRS 9 are classified in one of the following categories:

• Mandatorily measured at Fair Value Through Profit or Loss (FVTPL) as non-SPPI financial instrument;

• Equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

Dexia does not have any equity securities held-for-trading.

Dexia initially recognises and subsequently measures assets mandatorily measured at FVTPL at their fair value in the line "Financial assets at fair value through profit or loss". All realised and unrealised gains and losses and dividend income from investments in equity instruments measured at FVTPL are recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".

At initial recognition and on a case by case basis, Dexia can make an irrevocable election to include equity investments not held for trading in the FVOCI category under "Financial assets at fair value through OCI". These instruments are subsequently measured at fair value with all changes recognised in other comprehensive income under "Changes in FV of equity instruments at FVOCI" and without any recycling into the income statement. Upon disposal of the investment, Dexia reclassifies the realised amounts within equity and presents them under the heading "Consolidated reserves". Assets classified into this category are not subject to impairment.

Dividend income from investments in these equity instruments designated at FVTOCI are recognised in the income statement under "Net gains (losses) on financial instruments measured at FVOCI".

1.1.6.2.3 Classification and measurement of derivative instruments (trading and hedging)

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of Dexia's derivatives are the currency and the interest rate derivatives but Dexia also makes use of credit derivatives and equity derivatives. Dexia initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate.

When market conditions change (e.g. valuation of floors or the Funding Value Adjustment (FVA)) for the instruments, models are adapted using best market practice. Similarly, some models or their application may change in accordance with better product expertise (CVA, DVA, etc.) or the development of activities (e.g. substantial increase of foreign exchange swaps in Paris due to the scheduled closure of DCL NY in 2020).

Dexia reports derivatives as assets when fair value is positive and as liabilities when fair value is negative.

Trading derivatives

Derivative instruments which are not designated in a hedge relationship are measured at fair value through profit or loss and Dexia makes a distinction as follows:

• derivatives that are held with a hedging intent but for which hedge accounting cannot be or is not applied (economic hedge). All changes in fair value are recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest is recognised in net interest income.

• derivatives held without hedging intent (trading derivative). All fair value changes on such derivatives are recognised under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest is recognised in net interest income.

Dexia treats derivatives embedded in financial liabilities as separate derivatives:

• when their risks and characteristics are not closely related to those of the host contract;

• when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

• when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the income statement.

Dexia reports embedded derivatives which were separated under the same heading as the host contract.

Hedging derivatives

Hedging derivatives are derivatives which are specifically designated in a hedge relationship and they are measured based on the type of hedging relationship. The accounting of such derivatives is detailed in the section 1.1.10. "Hedging derivatives".

1.1.6.2.4. Accounting for early repayments and restructuring of loans

Dexia has determined the accounting principles applicable to the restructuring of loans in accordance with B3.3.6 of IFRS 9 dealing with the restructuring of financial liabilities.

Restructured and modified financial assets

When a financial asset restructuring takes place, each case is considered individually. Modifications represent contract amendments that result in an alteration of future contractual cash flows. The method of accounting for restructured and modified loan and early repayment indemnities differ depending on whether or not the restructuring results in terms that are substantially different from those set initially.

A substantial modification of the terms of an existing financial asset is accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. A restructuring that leads to a derecognition is not considered as a sale of a financial asset within a business model whose objective is to hold the asset to collect the contractual cash flows over the life of the asset.

The following factors are mainly factors are considered to determine if the terms of the asset after restructuring must be considered as substantially different on a qualitative basis :

• SPPI / Non SPPI nature of the contractual cash flows;

• the currency that the debt instrument is denominated in;

• the interest rate;

• conversion features attached to the instrument;

• changes in covenants;

• change in counterparty.

Moreover, in accordance with B3.3.6 of IFRS 9, Dexia considers that the terms are substantially different when the net present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10% different from the net present value of the remaining cash flows from the original loan.

Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying value of a financial asset is recognised immediately in the income statement in "Net gains (losses) on financial assets instruments at FVOCI" or "Net gains (losses) on financial assets measured at AC" based on the classification of the asset.

A restructuring or modification of a financial asset measured at AC or of a financial asset measured at FVOCI could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognised. The early repayment indemnity is recognised immediately in the income statement in "Net gains (losses) on financial instruments measured at FVOCI" or "Net gains (losses) on financial assets measured at AC" based on the classification of the asset. A new financial asset is recognised at fair value.

1.1.6.2.5. Impairment on financial assets

The IFRS 9 standard introduces a new impairment model of financial assets based on expected credit losses (ECL). This new impairment model 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. This impairment model also applies to Dexia's off balance sheet undrawn loan commitments and financial guarantees given.

The ECL model constitutes a change from the guidance in IAS 39 based on incurred losses.

In this model, each financial instrument (except assets that are purchased or originated in default) is allocated amongst 3 stages according to the wording used by IFRS 9) depending of the evolution of credit risk since initial recognition:

– Stage 1: Financial instruments that have not deteriorated significantly in credit quality since initial recognition

– Stage 2: Financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss

– Stage 3: Financial assets that 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 that would result of a default occurring in the next 12 months, weighted by the probability that the default occurs during this 12 months period.

• when the financial instrument is in stage 2 and 3, the amount of loss allowance is equal to lifetime expected credit losses, corresponding to the lifetime cash-shortfall that would result in case of a default occurring over the life of the instrument, weighted by the default probability (PD) that the default occurs over the residual maturity of the instrument.

Interest revenue for financial assets allocated in Stage 1 or 2 are 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 (that have a significant financing component) or lease receivables. The ECL calculation of these assets follows the general approach described below.

Significant Increase in Credit Risk (SICR)

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

The quantitative test consists in 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 PD 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, then, the variation of the PDs indicates that there is a significant deterioration of credit risk and that the financial instrument shall be allocated to Stage 2. This threshold is included in regular validation processes by governance bodies.

Regulatory accounting and prudential requirements also make it possible to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument presents a low credit risk on the reporting date. Although credit institutions have the possibility, for assets with "low credit risk", not to measure the significant deterioration in credit risk since origination, and thus to allocate the assets concerned directly in stage 1, the use of this exemption must be limited, and in particular can only apply to securities positions in the portfolio.

The qualitative part of the approach, relying on forward looking counterparty specific indicators, consists of allocating to stage 2 exposures which are closely followed up under the watch list process, that have been granted forbearance[1] measures or that belong to a sensitive economic sector[2].

IFRS 9 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. Therefore, for this type of population, a first analysis is performed to ensure that this delay is not relating to administrative procedures, and if not, then the presumption applies and any exception is analysed and documented individually.

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

(1) Forbearance measures are concessions granted to counterparties facing financial difficulties.

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

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 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 and forward looking, meaning they take into account current and forecasted macro-economic conditions.

Capitalizing on the Pilar 1 framework Dexia developed internal ratings models based on sectors 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 Point in Time (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. This approach facilitates projecting PD, rating migrations and LGD given any state of the economy.

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

Scenarios: Dexia developed ECL projections for 3 macro-economic scenarios: baseline, upward and downturn, the last two defined symmetrically around the baseline. The baseline macro-economic scenario consists of predictions over a 3 year-time horizon on a number of macro-economic and financial market data obtained from the 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 upon 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 a counterparty cures the default to return to a normal situation (i.e. with zero loss) is taken into account in all risk parameters estimations.

Credit Risk Mitigants: The credit risk deterioration is measured by the default risk evolution of the original counterpart. 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 the mortgages, pledges, 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, mainly based on cash flow models, market price models or 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 deducting the impairment loss allowance).
When Dexia has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of a financial asset is reduced. Dexia policy is therefore to recognize a loss through profit or loss upon debt forgiveness which means that no enforcement activity will take place anymore.

New Definition of Default
See note 1.1.2.5. New Definition of Default.

Accounting treatment of expected credit losses
Dexia recognizes the changes in the amount of expected credit losses related to debt instruments, loan commitments and financial guarantee contracts in profit or loss in "Cost of credit risk" as an impairment gain or loss.
For off balance sheet undrawn loan commitments and financial guarantees given, expected credit losses are booked on the liability side of Dexia's Balance sheet.
For purchased or originated credit impaired financial assets, the amount of loss allowance recognised in profit or loss is the cumulative changes in lifetime expected credit losses since initial recognition. The amount of favorable change in lifetime expected credit losses is recognised in profit or loss as an impairment gain.

1.1.6.3. Classification and measurement of financial liabilities

1.1.6.3.1. Liabilities at amortised cost

Dexia recognises Interbank and customer borrowings and debt securities initially at fair value, being generally their issue proceeds, net of any transaction costs incurred. Subsequently, borrowings and debt securities are stated at amortised cost. Dexia recognises any difference between their initial carrying amount and the redemption value in the income statement over the period of the liability using the effective interest rate method.

1.1.6.3.2. Liabilities held for trading

Liabilities held for trading are subject to the same accounting rules as those for loans and debt securities held for trading.

1.1.6.3.3. Liabilities designated at Fair Value Through Profit or Loss (FVO)

In some cases and if appropriately documented, Dexia can irrevocably designate, on initial recognition, a financial liability as to be measured at Fair Value Through Profit or Loss (Fair Value Option (FVO)) where:
• such designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would otherwise arise ;
• a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy ;
• a hybrid instrument with one or multiple separable embedded derivatives.
For subsequent measurement, Dexia recognises unrealised gains or losses on financial liabilities designated as at Fair Value Through Profit or Loss as follows:
• changes in the fair value attributable to own credit risk are recorded in equity under the dedicated heading "Changes in fair value of financial liabilities designated at Fair Value Though Profit or Loss attributable to own credit risk" within "Gains and losses directly recognised in equity" ;
• the remaining amount of change in the fair value is presented in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".
When liabilities designated as at fair value through profit or loss are derecognised, amounts in equity relating to own credit risk are not recycled to profit or loss. Dexia reclassifies these realised amounts within equity and presents them under the heading "Consolidated reserves".
However, if the treatment of liabilities designated as at fair value through profit or loss as described above would create an accounting mismatch in profit or loss, all changes in the fair value are presented by Dexia in profit or loss.
According to Dexia's accounting policy choice, interest is recognised in net interest income.

1.1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

1.1.7.1. Valuation principles

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Quoted market prices in an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument.
If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions. Dexia's valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs.
The valuation model should take into account all factors that market participants would consider when pricing the asset. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities recognised at fair value or for which fair value is calculated for disclosures are categorised into one of three fair value hierarchy levels. The following definitions used by Dexia for the hierarchy levels are in line with IFRS 13 texts:
• Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
• Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
• Level 3: valuation techniques for which significant inputs are not based on observable market data.

According to Dexia's policy, transfers between levels of the fair value hierarchy are performed at fair value at the end of the reporting period.

1.1.7.2. Valuation techniques

Dexia's approach to the valuation of its financial instruments (instruments at fair value through profit or loss, assets measured at fair value through other comprehensive income and valuations for disclosures) can be summarised as follows:

1.1.7.2.1. Financial instruments measured at fair value (held for trading, non-trading instruments mandatorily measured at fair value through profit or loss, fair value option, measured at fair value through other comprehensive income, derivatives)

Financial instruments measured at fair value for which reliable quoted market prices are available

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.

The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

Financial instruments measured at fair value for which no reliable quoted market prices are available and for which valuations are obtained by means of valuation techniques

Dexia's approach to the valuation of its financial instruments is based as much as possible on observable market data. These valuations are based on independent external market data providers and standard quantitative approaches. The departments Financial Market Risk and Product Control regularly monitor the quality of valuations:

- the valuations of derivatives are compared with those provided by a number of counterparties and analysed monthly during an ad hoc committee;
- transaction execution levels are used to ensure the quality of the valuation approaches;
- the valuation approaches are regularly reviewed and are subject to validation by a Validation team.

In order for a fair value to qualify for level 2 inclusion, observable market data should be significantly used. The market data that Dexia incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or deducted from observable data (price or spread) for similar instruments. Fair value measurements that rely significantly on unobservable data or on own assumptions qualify for level 3 disclosure.

The fair value governance involves several committees that deal with valuation issues. The highest one, the Management Board supervises major decisions taken by lower levels committees (Market Risk Committee and Validation Advisory Committee). This governance ensures a strong control framework for valuation issues as well as the independence between the Front Office, Market Risk 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 general principles for the valuation ensure the use of quoted and observable prices when available or valuation models that take into account all factors that market participants would consider. Models are developed by the Financial Market Risk department based on the information provided by the Front Office and are validated by a Validation team. Depending on their availabilities, data may come from different sources as tradable or indicative quotes. They are produced by Product Control. An inventory of the products is regularly produced, with their main features, their materiality and their model status.

For bonds and loans for which no active market exists, Dexia maximises the use of market data.

Dexia uses a discount cash-flow model, based on a credit spread. The credit spread is estimated from market data which are directly available from external contributors (for example Bloomberg, Markit) or, when there is no data available for a given instrument, from the issuer credit curve which is adjusted to take into account the characteristics of the specific instrument (maturity,…), or, if the issuer curve is not available, from available market data for similar instruments (for example from the same economic sector, rating, currency).

Concerning the valuation of derivatives, Dexia adjusts the market value to take into account credit risks (Credit Valuation Adjustment (CVA) / Debit Valuation Adjustment (DVA)) and funding costs (Funding Valuation Adjustment (FVA)).

A CVA reflects the counterparty's risk of default and a DVA reflects Dexia's own credit risk.

When determining the CVA / DVA, Dexia considers two different markets:

- The market of collateralised derivatives, where there is a daily exchange of collateral, for which the CVA / DVA is calculated based on expected changes of value over a margin period of risk.
- The market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

For CVA/DVA calculation, the Probability of Default (PD) parameters are based on market data and market conventions. The Loss Given Default (LGD) parameters are based on market conventions or on internal statistical data taking into account observed recovery rates.

Based on the assumptions that market participants would consider when determining the fair value, Dexia uses an overnight rate (OIS) discouting curve for all derivatives, regardless if they are collateralised or not.

A Funding Valuation Adjustment (FVA) takes into account the funding costs associated to its uncollateralised derivative positions. As these uncollateralised derivatives are not subject to margin calls, the bank benefits from savings in funding or bears the cost depending on the direction of their net balance sheet position, and on the market values of these derivatives. The level of funding costs used in determining the FVA reflects the funding of the exposure related to uncollateralised derivatives at rates different from overnight rates.

Dexia will continue to improve its models in future periods and taking into account the market practices.

1.1.7.2.2. Financial instruments measured at amortised cost (valuations in disclosures on fair value)

These instruments are valued using the same approach as described above for instruments recognised at fair value on the balance sheet.

1.1.8. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through P&L.

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Interest income and expenses on derivatives are presented on a gross basis by instrument.

Following the decision of IFRS IC and according to the view of the European Banking Authority (EBA), Dexia presents negative remuneration on assets together with interest expense and positive remuneration on liabilities together with interest income.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Dexia recognises revenue when it transfers the control over a product or service to a customer.

Commissions and fees arising from most of Dexia's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.

According to IFRS 9, loan commitment fees are recognised as part of the effective interest rate according to IFRS 9 if the loan is granted, and recorded as revenue on expiry if no loan is granted.

Fees that are not an integral part of the effective interest rate are accounted for under IFRS 15. These include fees charged for servicing a loan, commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific lending agreement will be entered into, and loan syndication fees received by Dexia that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Financial guarantee contract fees that are not designated at fair value through profit or loss and not in the scope of IFRS 4 "Insurance contracts" are recognised in accordance with IFRS 15.

1.1.10. HEDGING DERIVATIVES

While awaiting the future standard on macro hedging, and as permitted under IFRS 9, Dexia continues to apply the current hedge accounting requirements (IAS 39) for all its micro and macro-hedge relationships.

Hedging derivatives are categorised as either:

• a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or

• a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or

• a hedge of a net investment in a foreign operation.

Dexia designates derivatives as hedging instruments if certain criteria are met:

• formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;

• the hedge is documented in such a way as to show that it is expected to be highly effective both prospectively and retrospectively in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and

• the hedge is effective at inception and on an ongoing basis.

Dexia records changes in the fair value of derivatives that are designated, and qualify, as fair value hedges in the income statement, along with the corresponding change in fair value of the hedged assets or the liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge and the hedged item is still recognised, Dexia amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the income statement over the remaining life of the hedged or hedging instrument if shorter by an adjustment of the yield of the hedged item.

Dexia recognises the effective part of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges, in "Other comprehensive income" under the heading "Unrealised or deferred gains and losses" (see "Consolidated statement of changes in equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".

Amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the income statement.

1.1.11. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

Dexia makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia manages its financial instruments.

Hedge accounting is intended to reduce the interest rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Dexia performs a global analysis of interest rate risk exposure. It consists of assessing fixed-rate exposure, and taking into account all the exposure coming from balance sheet and off-balance-sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

Dexia applies the same methodology to select which assets and/or liabilities will be entered into to hedge the interest rate risk exposure of the portfolio. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio based on a behavioural study for estimating

expected maturity date. Dexia may designate as qualifying hedged items different categories of assets or liabilities such as loans or securities measured at amortised cost or fair value through other comprehensive income, etc.
On the basis of this gap analysis, which is realised on a net basis, Dexia defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.
The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Dexia recognises the hedging items at fair value with adjustments accounted for in the income statement.
Dexia reports hedged interest rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedge".

1.1.12. DAY ONE PROFIT OR LOSS

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.
The day one profit or loss is the difference between:
• the transaction price and the quoted market price; in cases where the transaction is quoted; or
• the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment in cases where the transaction is not quoted.
If Dexia considers the main parameters of the model as observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the income statement.
If Dexia considers the main parameters as unobservable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, Dexia will recognise the remaining portion of day one profit or loss in the income statement.
In cases of early termination, the remaining portion of day one profit or loss will be recognised in the income statement. In cases of partial early termination, Dexia will recognize in the income statement the part of the day one profit or loss relating to the partial early termination.

1.1.13. TANGIBLE FIXED ASSETS

Tangible fixed assets include material and equipment.
They are stated at their cost less accumulated depreciation and, if any, impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.
Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. In order to determine the useful life of an asset, legal or similar limits on the use of the asset, such as the expiry dates of related leases, are taken into account. Thus, the useful life of an asset may be shorter than its economic life.
The main useful lives are as follows:
• Computer equipment: 3 to 6 years;
• Leasehold improvements, equipment and furniture: 2 to 12 years;
• Vehicles: 2 to 5 years.
• Technical installations, fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.
Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually the Group determines the recoverable amount of the cash generating unit or group of cash generating units to which the asset belongs. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".
Dexia presents the right-of-use assets related to its lease contracts under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned (see note 1.1.18.).

1.1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.
As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.
Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

1.1.15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or groups of assets) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) "held for sale" if:
• they are available for immediate sale in their present condition; and
• their sale is highly probable within one year.
Dexia measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale, items of Other Comprehensive Income are isolated in a separate publication line in equity. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing

activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A restatement for previous periods is performed.

1.1.16. GOODWILL

Dexia has no goodwill on its balance sheet and will not acquire any controlling interests in the future following the orderly resolution plan of the group.

1.1.17. ACCRUALS AND OTHER ASSETS

Accruals and other assets mainly include accrued income (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard. Plan assets are recognised in accordance with IAS 19 (revised) requirements.

Cash collaterals, presented in accruals under IAS 39, are now included within "Financial assets at amortised cost".

1.1.18. LEASES

As from 1 January 2019, Dexia applies the new IFRS 16 "Leases" to its lease and sublease contracts.

As permitted by the transition requirements of IFRS 16 (simplified retrospective approach), Dexia does not restate the comparative period information. The accounting policies as set out in the section 1.1.18.3. "Leases (IAS 17)" apply to comparative periods.

As permitted by the transition requirements of IFRS 16, Dexia applies the new standard to contracts that had been previously identified as leases under IAS 17. For each contract entered into or amended as from 1 January 2019, Dexia assesses whether it is a lease or contains a lease component based on the definition of IFRS 16, which implies, on the one hand, the identification of an asset and, on the other hand, the control of the use of an identified asset:

- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset;
- control of the use of an identified asset throughout the period of use is conveyed where the customer has both the right to obtain substantially all the economic benefits from that use and the right to direct the asset's use.

In accordance with IFRS 16, Dexia does not apply the new standard to leases of intangible assets (eg software).

1.1.18.1. Dexia is the lessee

Dexia grants leases principally for the rental of equipment or real estate.

A lease, as defined by IFRS 16 "Leases" is recognised on Dexia's balance sheet as a right-of-use asset representing the right to use the underlying asset during the term of the contract and a lease liability representing the obligation to make lease payments.

Dexia has elected not to recognise a right-of-use asset and a lease liability for lease contracts with the term of less than one year (including renewal options) and to leases for which the underlying asset, when new, is of low value (Dexia applies the exemption threshold of EUR 5,000). Lease payments in respect of these contracts are recognised in the income statement as an expense on a straight-line basis over the lease term.

Measurement of the right-of-use asset

The right-of-use asset is initially measured at cost which includes the initial value of the lease liability, plus, any initial direct costs, restoration costs and advance payments less any lease incentives received from the lessor.

Subsequently, the right-of-use asset is depreciated usually on a straight-line basis over the lease term and impairment is recognised if necessary.

Measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments discounted over the lease term.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, variable lease payments that depend on an index or a rate and, if applicable, amounts expected to be payable by the lessee under residual value guarantees, for purchase options or payments of penalties for terminating the lease.

In order to determine the lease term, Dexia considers the non-cancellable period of the contract considering, if applicable, any renewal and termination options, if Dexia is reasonably certain to use an option. In order to assess whether it is reasonably certain to exercise or not to exercise such options, Dexia uses its judgement and considers all relevant facts and circumstances that create an economic incentive for Dexia to exercise or not to exercise these options, including the conditions for exercising these options, substantial changes made to the leased premises, the costs associated with the contract termination, the importance of the leased asset for Dexia's operations as well as the outlook for the future use of the assets. Regarding the French commercial leases (3-6-9 leases), Dexia considers that its contracts are enforceable for 9 years with an initial non-cancellable period of 3 years.

The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, Dexia uses its incremental borrowing rate as the discount rate. The discount rate is set by currency and by country of Dexia's entities and considering the borrowing terms of the lessee entity. It reflects the average term weighted by the lease payment flows (duration) of the lease contract. For the entities which refinance themselves through the Group, the incremental borrowing rate is set by the Group.

The lease liability is subsequently measured at amortised cost using the effective interest rate method: it is increased by the interest expense on the lease liability and reduced by lease payments made.

The amount of the lease liability may be adjusted later if the lease contract is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

Dexia presents the right-of-use assets under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Lease liabilities are presented within "Accruals and other liabilities".

In the income statement, the depreciation charge for the right-of-use asset is presented under "Depreciation, amortisation and impairment of tangible fixed assets and intangible

assets", separately from the interest expense on lease liabilities which is presented under "Interest expense".
In the cash flow statement, cash outflows related to lease liabilities are classified within financing activities for the principal portion and within operating activities for the interest portion.

1.1.18.2. Dexia is the lessor

Dexia grants both operating and finance leases. A lease is classified as a finance lease if the contract transfers substantially all the risks and rewards incidental to ownership of an asset. A contract that is not a finance lease is an operating lease.
The accounting methods applicable to Dexia as a lessor are not different from those that prevailed under IAS 17. However, when Dexia acts as an intermediary lessor, the classification of a sublease contract is made by reference to the right-of-use asset arising from the head lease, and not by reference to the underlying asset.
Revenue from operating leases is recognised in the income statement on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset. For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments. The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.1.18.3. Leases (IAS 17)

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Dexia is the lessee

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.
If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Dexia. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

Dexia is the lessor

Revenue from operating leases is recognised in the income statement on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset.
For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments.
The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.1.19. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised because, despite the transfer of ownership of securities, there is no substantial transfer of risks and rewards and the securities remain in their original category. The corresponding liability is entered under "Interbank borrowings and deposits" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.
Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance-sheet items and the corresponding loans recorded as "Interbank loans and advances" or "Customer loans and advances".
The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.
Securities lent to counterparties are not derecognised but, rather recorded in the financial statements in the same heading.
Securities borrowed are not recognised in the financial statements.
If they are sold to third parties, the gain or loss is entered under "Net gains (losses) on financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities at fair value through profit or loss".

1.1.20. CURRENT AND DEFERRED INCOME TAX

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.
The tax rates used are the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.
Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Current and deferred taxes are recognised under "Corporate income tax" in the income statement together with related interests and penalties if they are deemed equivalent to these taxes. Otherwise interests and penalties on late payments related to income taxes are recognised in the interest margin in net banking income.
Deferred tax related to the fair value remeasurement of assets measured at FVOCI and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

For current and deferred tax, when there is uncertainty as to the tax treatment, Dexia determines whether it is probable that the relevant authority will accept the tax treatment, assuming that a taxation authority will examine the treatment and will have full knowledge of all relevant information when doing so. If it is probable that a taxation authority will not accept the tax treatment, Dexia reflects this uncertainty when determining the value of tax assets and liabilities following one of the below listed methods which provides better predictions of the resolution of the uncertainty :

- the most likely amount or
- the expected value (sum of the probability-weighted amounts in a range of possible outcomes).

Assets and liabilities resulting from uncertainty over tax treatment are presented as current or deferred tax assets and liabilities under "Current tax assets", "Deferred tax assets", "Current tax liabilities" or "Deferred tax liabilities".

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

Short-term benefits, payable before 12 months after the end of the annual reporting period in which the service is rendered, are measured on an undiscounted basis and recognised as an expense.
Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.1.21.2. Post-employment benefits

If Dexia has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia offers a number of defined benefits and defined contribution plans, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Dexia and its employees.
In some cases, Dexia provides post-retirement health care benefits to its retirees.

1.1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.
For defined benefit plans, the cost is determined using the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.
The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), reduced by the fair value of plan assets at the balance-sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and are recorded separately if those assets are held by a Group entity. Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding net interest) and any change in the effect of the asset ceiling (excluding net interest), and are recognised immediately in other comprehensive income and are not reclassified to profit or loss in a subsequent period.
Current service cost, past service cost (which is the change in the present value of the defined benefit obligation, resulting from a plan amendment or a curtailment) and any gain or loss on settlement are recognised in profit or loss.
When a plan amendment, curtailment or settlement occurs, Dexia recognizes and measures any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The effect of the asset ceiling is then determined after the plan amendment, curtailment or settlement and any change in that effect is recognized.
The current service cost is determined using actuarial assumptions determined at the start of the reporting period. If a plan amendment, curtailment or settlement occurs, current service cost is determined for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset).
Net interest on the net defined benefit liability (asset) is recognised in profit or loss. It is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset), both as determined at the start of the annual reporting period, and taking account of any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. If a plan amendment, curtailment or settlement occurs, net interest for the remainder of the reporting period is determined using the net defined benefit liability (asset) and the discount rate used to remeasure the net defined benefit liability (asset) after the plan amendment, curtailment or settlement.
Qualified external actuaries carry out valuations of these defined benefit obligations. All valuation assumptions and results are reviewed and validated by an external actuary for Dexia that ensures that all calculations are harmonised and calculated in compliance with IAS 19 (as revised in 2011).

1.1.21.2.2. Defined contribution pension plans

Dexia's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate. Under such plans, Dexia's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.
The Belgian defined contribution pension plans are by law subject to minimum guaranteed return.
As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows: (i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%, (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants.
The rates set for employer contributions and employee contributions apply as an average over the entire period of employment.

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans and are determined using the Projected Unit Credit Method.

1.1.21.2.3. Retirement termination payments

Retirement termination payments are treated as defined benefit plans.

1.1.21.3. Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the income statement.

1.1.21.4. Termination benefits

A termination benefit provision is recorded at the earlier of the following dates:

- when Dexia can no longer withdraw the offer of those benefits; and
- when Dexia recognises costs for a restructuring that involves the payment of termination benefits.

1.1.21.5. Share-based payment

Dexia offered equity-settled share-based payments like stock options plans (SOPs) and employee share purchase plans (ESPPs) and cash-settled share-based payments.

The fair value of equity-settled plans was measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and took into account market-based vesting conditions. The impact of other vesting conditions was reflected in the accounts via an adjustment of the number of equity instruments included in the measurement. The fair value, recognised as a remuneration expense, was credited against equity.

In cash-settled share-based payments, the services received and the liability incurred, to pay for those services, were measured at the fair value of the liability. This fair value was measured at the grant date and at each reporting date until settled. The value was recognised as a remuneration expense with a corresponding increase in liabilities.

1.1.22. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognised when:

- Dexia has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised according to an ECL impairment model introduced by IFRS 9 (see 1.1.6.2.5. Impairment on financial assets).

As a result of applying IFRIC 23 as from 1 January 2019 and in accordance with IFRS IC's position (IFRIC Update June 2019), the liabilities related to uncertain tax positions are presented under "Current tax liabilities" and no longer under "Provisions".

1.1.23. SHARE CAPITAL AND TREASURY SHARES

1.1.23.1. Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

1.1.23.2. Dividends on Dexia's ordinary shares

Dexia recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

1.1.23.3. Preferred shares

Dexia classifies preferred shares that are non-redeemable and upon which dividends are declared at the discretion of the directors as equity.

1.1.23.4. Treasury shares

When Dexia or its subsidiaries purchase from an entity outside the group Dexia's shares or shares of a subsidiary, the consideration paid, including any attributable transaction costs net of income taxes, is shown as a deduction from total shareholders' equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account in equity.

1.1.24. FIDUCIARY ACTIVITIES

Assets and income arising, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.1.25. RELATED-PARTY TRANSACTIONS

Two parties are considered to be related if one has the ability to control the other or exercises significant influence over the other party's financial policy or operational decisions or is a member of the key management personnel of the other party or of a parent. Transactions with companies accounted for by the equity method are reported, as are those with the Directors.

1.1.26. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity of less than 3 months maturity from the date of acquisition included within cash and balances with central banks, interbank loans and advances.

1.2 Ownership interests in subsidiaries and other entities

a. Criteria for consolidation and use of the equity method

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.

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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 financial statements of the Group, 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 consolidated level, the aggregate of their total assets, liabilities, equity and net income does not exceed 1% of the total consolidated balance sheet and net income (respectively EUR 1.20 billion and EUR 6.33 million (average on 3 years) in 2019). As at 31 December 2019, the sum the total balance sheet and net income of unconsolidated entities does not exceed this threshold.

b. Changes in the consolidation scope compared with 31 December 2019

Following the signature of a sale and purchase agreement on 14 December 2018 Dexia and Helaba concluded on 1 May 2019 the sale of Dexia Kommunalbank Deutschland (DKD), Dexia's German banking subsidiary, to Helaba for a total amount of EUR 352 million. All regulatory approvals have been obtained.
Dexia Kommunalbank Deutschland has been presented as a discontinued operation in the consolidated financial statements since the fourth quarter of 2018.

An Extraordinary Shareholders' Meeting of Dexia Crediop was held on November 22, 2019 and approved a capital increase of EUR 120 million consisting of the issuance of 12 billion new ordinary shares without par value, at a subscription price per share of EUR 0.01.
As the minority shareholders of Dexia Crediop, Banco BPM and BPER Banca, did not wish to participate in this capital increase, Dexia subscribed to the entire amount, thus increasing its stake in Dexia Crediop from 70% to 99.57%.

c. Impact of changes in scope on the consolidated income statement

In 2018 Dexia recorded in its consolidated financial statements a gain of EUR 8 million on the sale of Dexia Israel This gain is calculated on the basis of the financial statements prepared by Dexia Israel on January 1, 2018 after adoption of IFRS9 and is presented in Net gains or losses on other assets.
In 2019, the net impact resulting from the sale of DKD is EUR -115 million. This amount includes the net capital loss on disposal as well as the net result of DKD (EUR -9.2 million) and is accounted for in accordance with IFRS 5 as Profit from discontinued operations, net of tax. The result on disposals of EUR 106 million includes a negative impact of EUR -245 million due to the recycling to the income statement of the gain and loss items recognised directly in the income statement, a positive impact of EUR 141 million resulting from the difference between the sale price and Dexia Crédit Local's share of DKD's shareholders' equity, as well as the recognition of the provision for a liability guarantee granted to Helaba.

d. Scope of the Dexia Group as at 31 December 2019

A. Fully consolidated entities

Name	Country	31/12/2018			31/12/2019			
		Method	Control rate	Interest rate	Method	Control rate	Interest rate	Ref
PARENT COMPANY								
Dexia S.A.	Belgium							
Dexia S.A. Etablissement Stable France	France	FC	100	100	FC	100	100	
SUBSIDIARIES								
Dexia Certificaten Nederland BV (in liquidation)[4]	Netherlands	FC	100	100	FC	100	100	
Dexia CLF Régions Bail	France	FC	100	100	FC	100	100	
Dexia Crediop	Italy	FC	70	70	FC	99.57	99.57	
Dexia Crédit Local SA	France	FC	100	100	FC	100	100	
Dexia Financial Products Services LLC[2]	USA	FC	100	100	FC	100	100	
Dexia Flobail	France	FC	100	100	FC	100	100	
Dexia FP Holdings Inc[1]	USA	FC	100	100	FC	100	100	
Dexia Holdings, Inc	USA	FC	100	100	FC	100	100	
Dexia Kommunalbank Deutschland Gmbh	Germany	FC	100	100				S3
Dexia Nederland BV	Netherlands	FC	100	100	FC	100	100	
FSA Asset Management LLC[2]	USA	FC	100	100	FC	100	100	
FSA Capital Management Services LLC[2]	USA	FC	100	100	FC	100	100	
FSA Capital Markets Services LLC[2]	USA	FC	100	100	FC	100	100	
FSA Global Funding LTD[1]	Caymans Islands	FC	100	100	FC	100	100	
FSA Portfolio Asset Limited (UK)[2]	United Kingdom	FC	100	100	FC	100	100	
Nederlandse Standaard I.J. (in liquidation)[4]	Netherlands	FC	100	100	FC	100	100	
Premier International Funding Co[3]	Caymans Islands	FC	0	0	FC	0	0	
WISE 2006-1 PLC	Ireland	FC	100	100	FC	100	100	

(1) Companies consolidated by Dexia Holdings Inc.
(2) Companies consolidated by Dexia FP Holdings Inc.
(3) Companies consolidated by FSA Global Funding Ltd.
(4) Companies consolidated by Dexia Nederland BV.

B. Non fully consolidated subsidiaries and associated companies not accounted for by the equity method

		31/12/2018			31/12/2019			
Name	**Country**	**Method**	**Control rate**	**Interest rate**	**Method**	**Control rate**	**Interest rate**	**Ref**
DCL Evolution	France	not FC	100	100	not FC	100	100	
Dexia Crédito Local México SA de CV (Sofom Filial)	Mexico	not FC	100	100	not FC	100	100	
Dexia Kommunalkredit Romania	Roumania	not FC	100	100	not FC	100	100	
Dexia Management Services Limited	United Kingdom	not FC	100	100	not FC	100	100	
Dexiarail	France	not FC	100	100	not FC	100	100	
European public infrastructure managers	Luxemburg	not EM	20	20				S3
Genebus Lease	France	not FC	100	100	not FC	100	100	
Hyperion Fondation Privée	Belgium	not FC	100	100	not FC	100	100	
Impax New Energy Investor	Luxemburg	not EM	24.99	24.99	not EM	24.99	24.99	
New Mexican Trust	Mexico	not FC	100	100	not FC	100	100	
Progetto Fontana (in liquidation)	Italy	not EM	25	25	not EM	25	25	
South European Infrastructure Equity Finance Ltd Partnership	Luxemburg	not EM	20.83	20.83	not EM	20.83	20.83	
SPS - Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Italy	not EM	20.4	14.28	not EM	20.4	14.28	

Ref *Out of scope*
S1 : Cessation of activity (including dissolution, liquidation)
S2 : Company deconsolidated since become below the thresholds
S3 : Disposal

Method *FC: Fully Consolidated*
not FC: not Fully Consolidated
not EM: not accounted for by the Equity Method

C. Other significant companies held by the Group

Nil

Nature of the risks associated with an entity's interests in consolidated structured entities

As part of the sale of FSA to Assured Guaranty, Dexia retained the Financial Products activity and, generally, agreed to indemnify FSA and Assured Guaranty for any losses they may suffer in relation to that activity. The Financial Products activity includes the Global Funding business which includes a portion of the assets and liabilities of FSA Global Funding and of Premier International Funding Co.

Dexia did not provide, financial or other support to a consolidated structured entity when Dexia was not contractually obliged to do so, nor has an intention to do so in the future.

Dexia did not provide financial or other support resulted in the entity controlling the structured entity.

e. Significant restrictions on assets and liabilities of an entity

Following IFRS 12, Dexia provides the list of significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

The information regarding financial assets pledged as collateral for liabilities or contingent liabilities is presented in note 7.3.b.

The assets guaranteeing the secured debt issued by covered bonds entities and the guaranteed investment contracts are presented in note 7.3.b.

Certain assets held by Dexia and benefiting from a credit risk hedge in the form of a guarantee or even a CDS are subject to some legal restrictions, commonly called "Representation to Hold clauses"[1]

(1) Guarantee contracts with monolines (or with banks acting as intermediary for monolines) contain "representation to hold clauses" which (more or less strictly) oblige the beneficiary to hold the guaranteed assets until the end-term of the guarantee.

Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obligations of the issuer to the noteholders as well as requirement of agreement from the insurer or the guarantor.

Pursuant to the European Commission Decision of 28 December 2012, there is a general ban on the payment of any form of dividend by any subsidiary controlled directly or indirectly by Dexia, in particular when 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 and its subsidiaries.

Regulated entities are required to comply with regulatory requirements applicable to them.

Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

f. Interest in unconsolidated structured entities

This is mainly a securitization vehicle (FCC) of loans to customers. This vehicle is financed through the issuance of notes.

Interests in unconsolidated structured entities (in EUR million)	**Securitisation Special Purpose Entities**	**Other activities**	**Total**
Derivatives	135		135
Debt securities	250		250
Loans and advances	50	14	64
TOTAL	**435**	**14**	**449**
Total assets of unconsolidated structured entities	**750**	**14**	**764**

The maximum exposure to loss is the fair value of derivatives and the amortised costs of other instruments.

Dexia is considered to be a sponsor of a structured entity when it is primarily involved in the design and establishment of the structured entity and when it transferred assets to the structured entity or provided guarantees regarding the structured entity's performance. Dexia does not have any income from sponsored structures in which it does not hold an interest as at 31 December 2019.

g. Subsidiaries with minority interests that are material

Minority interests are considered material when they represent more than 5% of equity group share or when minority interests represent more then 5% of total assets.

As of 31/12/2019, there are no significant minority interests.

Dexia Crediop s.p.a	31/12/2018
Percentage of ownership held by non controlling interests	30%
Principal place of business	Italy
Accumulated non-controlling interests (in EUR million)	280
Profit or loss allocated to non-controlling interests (in EUR million)	(26)
Dividend paid to non-controlling interests	0
Assets (in EUR million)	18,320
Liabilities (in EUR million)	17,387
Equity (in EUR million)	933
Net banking income (in EUR million)	(60)
Profit or loss (in EUR million)	(86)
Total comprehensive income (in EUR million)	(86)

1.3 Significant items included in the income statement

Over the year 2019, Dexia posted a net result Group share of EUR -898 million (EUR -473 million in 2018).

The net banking income was negative, at EUR -746 million (EUR -232 million in 2018).

As in 2018, in addition to the carrying costs of assets, this amount included in particular impacts associated with the valuation of derivatives, as well as disposals gains and provisions for legal risk.

It also included in 2019 a charge of EUR -314 million due to the fair value measurement, as of July 1, 2019, of a EUR 5.3 billion financial assets portfolio of the New York branch, which is reclassified from Amortised Cost to Fair value through profit or loss. This reclassification follows a change in business model decided by the Board of Directors on May 22, 2019, the assets of this portfolio being held for sale, and no longer carried until their maturity. This charge was recognized in *Net gains (losses) on reclassification of financial assets measured at amortized cost into fair value through profit or loss.*

Net gains and losses on financial instruments at fair value through profit or loss, at EUR -15 million (EUR -144 million in 2018), included an amount of EUR -27 million for accounting volatility elements arising on the evolution of the market parameters which directly impact the value of certain elements, such as derivatives valued on the base of an OIS or a CBS curve, the Credit Value Adjustment (CVA), the Debit Value Adjustment (DVA) and the Funding Value Adjustment (FVA). In 2018, this amount represented EUR -188 million.

In 2019, a gain of EUR +89 million (EUR -73 million in 2018) was booked for the FVA, which represents the funding cost related to non-collateralized derivatives. The CVA, adjustment to the value of derivatives related to the counterparty risk, amounted to EUR +58 million (EUR -35 million in 2018). The novation of four non-collateralized deals with a bank counterparty in the 4th quarter had a positive impact on the CVA. The variation in market parameters during the year also had a negative impact on hedge accounting inefficiency of EUR -219 million (EUR -92 million in 2018), in particular due to the unfavorable evolution of the BOR/OIS spreads in GBP.

Net gains and losses on financial instruments measured at fair value through other comprehensive income and *Net gains and losses arising on derecognition of financial assets measured at amortised cost* amounted respectively to EUR -149 million (EUR -91 million in 2018) and EUR -254 million (EUR -16 million in 2018), following the disposals in line with the proactive strategy of reducing the balance sheet. In 2019, the Dexia Credit Local group sold a EUR 2.3 billion portfolio of US assets with a loss of EUR 80 million, a EUR 1.4 billion portfolio of Japanese securities with a loss of EUR 131 million, and a EUR 532 million exposure on Italian sovereign with a loss of EUR 48 million.

The *net other results*, at EUR +5 million (EUR -26 million in 2018) mainly resulted from the net provision for litigations.

Costs amounted to EUR -379 million (EUR -386 million in 2018). Taxes and regulatory contributions (EUR -62 million) were down compared to 2018 (EUR -92 million), in line with the reduction of the Group's size and the improvement of its risk profile. General operating expenses were impacted by transformation costs, notably related to the renewal of the IT infrastructure.

The *cost of credit risk* presented a positive amount of EUR +265 million (EUR +128 million in 2018), mainly explained by EUR +93 million reversals of provisions, following the sale of impaired exposures, notably Chicago Board of Education. The cost of credit risk also included the impact of the change in the estimate of the credit risk degradation measure (SICR) for an amount of EUR +150 million, explained in paragraph 1.4.

Income tax is positive at EUR +33 million (EUR - 40 million in 2018), which is mainly explained by the resolution of two disputes, resulting in a net impact of EUR +22 million following the conclusions delivered by the Tax Administration.

The *Result from discontinued operations, net of tax* amounted to EUR -111 million (EUR +23 million in 2018), and mainly included the net impact resulting from the sale of Dexia Kommunalbank Deutschland in the second quarter for EUR -115 million, of which EUR - 9 million (EUR +23 million in 2018) attributable to the result of the entity.

1.4 Other significant events of the year

1.4.1. METHODOLOGICAL EVOLUTION OF THE MEASUREMENT OF A SIGNIFICANT INCREASE OF CREDIT RISK (SICR)

In 2019, the Group implemented decisions relating to its strategic refocusing, which led to profound changes in the composition of the asset portfolio existing at 1 January 2018, the date of first-time adoption of IFRS 9.

In order to better capture the credit risk related to its asset portfolio, which is evolving rapidly and following recommendations made by the European Central Bank within the

context of the On-Site Inspection (OSI) on credit risk, Dexia decided to refine its methodology for measuring any significant increase of credit risk (SICR), inspired by that recommended by the European Banking Authority.
This methodological development is also based on a better understanding of the expectations of IFRS 9 regarding the provisioning of credit risks.
This change has been accounted for as a change in accounting estimate and recognised prospectively in 2019. It resulted in a reduction of expected credit losses by EUR 150 million and in particular in a revaluation of the provision on Portugal from Stage 2 to Stage 1. This revaluation is confirmed by the review of the internal rating of Portugal carried out by Dexia in early 2020.

1.4.2. MONITORING THE RISKS ASSOCIATED WITH THE OUTSOURCING OF ACTIVITIES TO COGNIZANT

At the end of 2017, Dexia decided to outsource its IT and back-office services to Cognizant. The management of the IT infrastructure was also transferred to Cognizant in 2018.

Within the framework of the outsourcing agreements for these activities between Dexia and Cognizant, specific monitoring is carried out by Dexia Risk Management for the governance of operations and risks through joint Dexia / Cognizant committees.
The Watchtower team, set up within Dexia, is also responsible for verifying the proper execution and quality of the services provided by Cognizant. Furthermore, Cognizant, as a provider of essential services, has undertaken to implement the three levels of control deployed within the Dexia Group and to deploy certain specific anti-fraud controls relating in particular to the segregation of tasks or the control of IT access.

Dexia has also established an internal control system and an anti-fraud system applicable to outsourced activities. A second-level control plan has been defined and is implemented by the Dexia teams responsible for these functions. In the same way, these activities are integrated into the Dexia audit universe and reviewed at a frequency adapted to the risks involved.

A specific Audit, Control-Compliance and Operational Risk Committee (ACO) meets every quarter and includes Dexia's Chief Risk Officer (CRO) and Chief Operating Officer (COO), the heads of Cognizant, the heads of second-level control functions at Dexia and some heads of operational teams at Cognizant. The role of this committee is to ensure the coordination of internal control functions, to share the results of control plans and to review their implementation, including the review of audit recommendations issued by Dexia, Dexia's auditors and supervisors.

1.4.3 DELISTING OF DEXIA SHARES ON EURONEXT BRUSSELS

The Extraordinary Shareholders' Meeting of Dexia held on 16 October 2019 approved the proposal to withdraw Dexia shares from trading on the regulated market of Euronext Brussels. The delisting has been effective since 2 December 2019.
To recall, since the entry of the Group into orderly resolution, Dexia shares have had no prospect of being allocated a dividend or liquidation bonus. The resolution plan, validated in December 2012 by the European Commission, is in fact underpinned by a principle of burden sharing which requires that any improvement in Dexia's financial situation benefits only the State shareholders and guarantors of the Group's liquidity. This principle is materialised in particular via the profit shares containing Contingent Liquidation Rights (CLR) held by the Belgian and French States.
Dexia considers that the delisting is in the interest of the company, given the costs that this listing generates and the reduced liquidity offered to the shareholders.
As the Dexia share is no longer listed on a market, IAS 33 is no longer applicable and Dexia does not need to publish the “Earnings per share” indicator.

1.4.4 APPROVAL BY THE EUROPEAN COMMISSION OF THE PROLONGATION OF THE DEXIA’S SENIOR DEBT GUANRANTEE

On 27 September 2019, the European Commission confirmed its approval of the prolongation by Belgium and France of Dexia’s senior debt State guarantee granted to Dexia Crédit Local for a new period of 10 years as from 1 January 2022.
The funding guarantee will retain most of its current characteristics and will therefore remain joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the scheme:

- The new guarantee ceiling will be EUR 75 billion;
- The Luxembourg State will no longer take part in the guarantee mechanism. Its 3% share will be divided between the Belgian and French States in proportion to their current respective shares of 51.41% and 45.59%, i.e. 53% for Belgium and 47% for France.
- • The remuneration of the guarantee will remain at 5 basis points per annum on the guaranteed outstanding amounts, payable monthly. This commission may be increased by a conditional deferred commission which will be payable in the event of liquidation of the Group and provided that Dexia Crédit Local no longer has a banking licence on that date. The pricing of this commission will be progressive as of 2022 and will reach an annual rate of 135 basis points on outstanding amounts in 2027. This guarantee remuneration structure allows the full implementation of the principle of burden sharing which underlies the orderly resolution of Dexia, the deferred contingent commission being subordinated to the rights of the preferential, unsecured or subordinated creditors at a “Tier 2” level or higher of Dexia Crédit Local but taking precedence over the hybrid “Tier 1” securities of Dexia Crédit Local (ISIN FR0010251421) and Dexia SA (ISIN XS0273230572).

The Belgian and French States will have to validate the Dexia funding guarantee in accordance with the procedures applicable in each State.
Dexia Crédit Local continues to fund itself under the guarantee scheme currently in force until 31 December 2021 and the debt already issued or to be issued before that date is covered until its contractual maturity by the guarantee agreement of 24 January 2013.

1.5. Post-closing events

1.5.1 UPDATE ON THE EVOLUTION OF THE GROUP'S ASSET PORTFOLIOS

Taking account of the evolution of regulations and supervisors' requirements and the non-renewal of Dexia's specific prudential approach by the European Central Bank, as well as the end of access to Eurosystem funding for entities under resolution as of 1 January 2022, on 19 July 2019 the Board of Directors validated the implementation of a second asset disposal programme. This plan, known as the Remedial Deleveraging Plan (RDP), encompasses a nominal amount of assets of EUR 9.9 billion and complements the EUR 6.5 billion disposal plan agreed on 22 May 2019. In particular, it targets sales which will enable Dexia to reduce its exposure to foreign currency liquidity risk over time while preserving its solvency.

As at 31 December 2019, EUR 3.6 billion of assets, of which EUR 1.8 billion of bonds and EUR 1.8 billion of loans, have already been sold under this plan.

For the assets not sold at that date, the change of management intent constitutes a change of business model which, in application of IFRS 9, will lead, on the first day of the reporting period following the decision, i.e. 1 January 2020, to the reclassification of a portfolio of EUR 6.3 billion in assets from "Amortised cost" to "Fair value through profit or loss" or "Fair value through other comprehensive income".
Furthermore, the Board of Directors confirmed its intention to hold Dexia's residual asset portfolios until maturity. They will therefore continue to be managed in accordance with the business model which aims to collect contractual cash flows over the life of the assets, and classified at "Amortised cost".
The reclassification of assets to market value in relation to the two changes in the business model is likely to lead to volatility in accounting and prudential equity in case of market price variations.
Any rise of credit spreads, in fact increases the unrealised loss recognised as assets classified at fair value through other comprehensive income or profit or loss. These impacts will be recognised in equity or in the income statement, with a corresponding impact on accounting and prudential equity.
Dexia is not exposed to variations of interest rates on these assets as its exposure has been hedged through hedging derivatives.
On the other hand, Dexia is exposed to any substantial downgrading of the ratings of the Group's main counterparties. In particular a downgrade of European sovereigns and local authorities could lead to significant impacts in terms of provisioning, mainly collective provisions, and an increase in total credit risk-weighted assets.

1.5.2. COVID-19 CRISIS

Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. The Group's Management Board has rapidly activated the operational and strategic crisis units to protect its teams and has implemented all the necessary measures to enable its teams to work remotely. The crisis unit ensures the operational continuity of the company and manages all impacts related to this situation.
As at the date of approval of the Group's financial statements by the Board of Directors, the severity of the pandemic has had a major impact on the financial markets, resulting in a very high volatility of all financial indices, a steepening of interest rate curves and a decline in the value of shares and bonds affecting all categories of borrowers. Containment measures make the execution of market transactions extremely complex. Finally, given the high degree of uncertainty about the development of the crisis, the maturities sought by money market investors have become much shorter.
The rapid progress made towards meeting the acceleration targets of the deleveraging plan, set in 2019 by the Group's governance bodies, has made it possible significantly to reduce the size of Dexia's commercial portfolios as well as its funding requirements. As at 31 December 2019, the Group had a liquidity buffer of EUR 19.4 billion, enabling it to cope with market tensions, and its LCR ratio amounted to 238%. Prior to the deepening of the crisis, the Group had executed 33% of its long-term guaranteed funding programme, and since then it has financed itself mainly through secured funding (repo).
The current crisis makes the implementation of the asset disposal plan more complex and exposes the Group to fluctuations in the value of assets not sold and reclassified at fair value. On the other hand, the Group could experience a deterioration in the credit quality of its asset portfolio which cannot be assessed at the date of approval of the Group's financial statements by the Board of Directors. At the end of December 2019, Dexia's Total Capital ratio was 27.2%, a level above the minimum of 13.85% imposed for the year 2019 by the European Central Bank (ECB) within the framework of the Supervisory Review and Evaluation Process (SREP).
As part of the fight against the crisis triggered by the Covid-19 epidemic, the ECB, the Banque de France, the National Bank of Belgium and the European Banking Authority (EBA) announced measures aimed at easing prudential requirements and operating costs for credit institutions. Thus, the ECB is exceptionally and temporarily allowing banks to operate with ratio levels which may be below the LCR liquidity ratio, capital conservation buffer requirements (requirement of 2.5% as at 1 January 2020) and requirements under the Pillar 2 guidance (P2G). The High Level Financial Stability Board has also decided to relax the countercyclical buffer in full until further notice.
Including these easing measures, the capital requirement applicable to Dexia to 11.25% on a consolidated basis.
The asset repurchase programmes (PEPP for the ECB) announced in a coordinated manner by the central banks and the launch of long-term refinancing operations (LTROs) is also intended to support market liquidity.
Finally, the ECB has announced that banks will be given additional time in which to take the corrective actions resulting from previous inspections and may grant additional time in the delivery of certain regulatory postponements to facilitate business continuity. The EBA also decided to postpone the 2020 stress test exercise for all institutions until 2021.Dexia will benefit from these measures in the same way as other credit institutions.
At the date of drawing up the financial statements, Dexia has taken these different elements into account and concluded that they do not call into question the assessment of the going concern (cf. note on going concern).

1.6 Presentation of the effect of IFRS 16 on the balance sheet as at 1st January 2019

The accounting principles applicable for leases applicable as of January 1, 2019 under IFRS 16, as well as the principles of first-time application, options and exemptions adopted are presented in Note 1 respectively in sections 1.1.2.6. Changes in presentation of consolidated financial statements of Dexia and 1.1.2.1 "IASB texts and IFRIC interpretations endorsed by the European Commission and applied as of January 1, 2019".

Assets (in EUR million)	**31/12/2018**	**Impact of IFRS 16**	**01/01/2019**
Financial assets at amortised cost - Customer loans and advances	35 158	4	35 162 (1)
Tangible fixed assets	2	57	59 (2)

Liabilities (in EUR million)	**31/12/2018**	**Impact of IFRS 16**	**01/01/2019**
Accruals and other liabilities	411	64	475 (3)
Provisions	368	(3)	365 (4)

(1) Impact of sub-leasing.
(2) Recognition of a right of use asset (EUR 69.3 million) after reduction related to benefits received, the remaining amount of which was shown in accruals, deferred income and other liabilities (EUR -5.7 million), after impact of sub-leasing (EUR - 3,5 million) and taking into account onerous contracts (EUR - 3 million).
(3) Lease liability (EUR 69.3 million) and benefits received (EUR -5.7 million).
(4) Onerous contracts (sub-leasing).

The table below presents the reconciliation between the future net minimum lease payments under non-cancellable operating leases as published in Note 2.11.b of the 2018 Annual Report and the amount of the lease liability recorded in the balance sheet at 01/01/2019

(in EUR million)	
Future net minimum lease payments under non-cancellable operating leases at 31/12/2018	69
Short-term leases	(7)
Others	8
Lease liability - gross amount	70
Discounting	0
Lease liability at 1st January 2019	69

In order to measure the lease liability recognized at the date of first application, Dexia has discounted the lease payments using its marginal borrowing rate as at 1st January 2019. The weighted average rate is 0.10%.

2. Notes on the assets

(Some amounts may not add up due to rounding differences)

2.1. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents include the following balances with initial maturities of less than 90 days.

a. Analysis by counterparty

(in EUR million)	31/12/2018	31/12/2019
Cash and central banks (note 2.2)	9,269	9,844
Financial assets at amortised cost - Interbank loans and advances (note 2.6)	1,254	734
Non current assets held for sale	102	0
TOTAL	**10,626**	**10,578**

b. Of which, restricted cash :

(in EUR million)	31/12/2018	31/12/2019
Mandatory reserves (1)	128	7
of continuing operations	*30*	*7*
of discontinued operations	*98*	*0*
TOTAL	**128**	**7**

(1) Minimum required reserve deposits at the European Central Bank (ECB) or at other central banks.

2.2. Cash and central banks

(in EUR million)	31/12/2018	31/12/2019
Mandatory reserve deposits with central banks	30	7
Other central banks deposits (1)	9,239	9,837
TOTAL	**9,269**	**9,844**
of which included in cash and cash equivalents	*9,269*	*9,844*

(1) On 21 July 2017, the European Central Bank announced the end of the access to Eurosystem funding for wind-down entities as from 31 December 2021 and limited the Group's recourse to the Eurosystem to an amount of EUR 5.2 billion for the transitional period. As of 31 December 2017, the Group no longer used that type of funding.
The ECB decision also resulted in a reduction of the liquidity buffer, combined with a change of its composition. As of December 31, 2018, the liquidity reserve amounted to EUR 16.3 billion of which EUR 9.3 billion was in the form of deposits with central banks. As of December 31, 2019, the liquidity reserve is EUR 19.4 billion of which EUR 9.8 billion is in the form of deposits with central banks.

2.3. Financial assets at fair value through profit or loss

(in EUR million)	31/12/2018	31/12/2019
Loans and securities	3,263	3,066
Derivatives (see note 4.1.b)	10,158	11,181
TOTAL	**13,421**	**14,247**

a. Analysis by nature of loans and securities at fair value through profit and loss

	31/12/2018				31/12/2019			
(in EUR million)	Held for trading	Non-trading financial assets mandatorily at fair value through P/L	Designated at fair value through P/L	Total	Held for trading	Non-trading financial assets mandatorily at fair value through P/L	Designated at fair value through P/L	Total
Loans		2,894		2,894		2,264		2,264
Bonds		252		252		740		740
Equity instruments		117		117		62		62
TOTAL	**0**	**3,263**	**0**	**3,263**	**0**	**3,066**	**0**	**3,066**

b. Analysis by maturity
See note 7.5.

c. Analysis of the fair value

See note 7.1

d. Convertible bonds included in financial assets at fair value through profit or loss portfolio (positions higher than EUR 50 million)
Nil.

2.4. Financial assets at fair value through OCI

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Loans	739	1,153
Bonds	4,143	1,657
Equity instruments designated at FVOCI	39	39
TOTAL ASSETS BEFORE ALLOWANCES	**4,922**	**2,849**
Allowances	(6)	(12)
TOTAL ASSETS AFTER ALLOWANCES	**4,916**	**2,837**

b. Derecognition of investments in equity instruments
No significant disposal took place in 2018 and 2019.

c. Equity instruments were designated as at FVOCI in order to avoid volatility in net income.

The following investments have an accounting value of 1 million or more:

(in EUR million)	31/12/2018	31/12/2019
Ecofin Global Utilities	5	7
Istituto per il Credito Sportivo	28	27

d. Analysis by maturity
See note 7.5.

e. Analysis of fair value
See note 7.1.

f. Analysis of quality
See note 2.12.

2.5. Financial assets at amortised cost - Debt securities

a. Analysis by counterparty

(in EUR million)	31/12/2018	31/12/2019
Interbank	1,681	1,501
Customers	44,158	34,857
TOTAL ASSETS BEFORE ALLOWANCES	**45,840**	**36,358**
Allowances	(338)	(57)
TOTAL ASSETS AFTER ALLOWANCES	**45,502**	**36,301**

b. Analysis by maturity
See note 7.5.

c. Analysis of fair value
See note 7.1.

d. Analysis of quality
See note 2.12.

2.6. Financial assets at amortised cost - Interbank loans and advances

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Nostri accounts	499	800
Cash collateral	20,311	20,600
Reverse repurchase agreements (reverse repos)	2,575	1,502
Other interbank loans and advances	281	187
TOTAL ASSETS BEFORE ALLOWANCES	**23,667**	**23,089**
Allowances	(2)	(2)
TOTAL ASSETS AFTER ALLOWANCES	**23,665**	**23,087**
of which included in cash and cash equivalents	*1,254*	*734*

b. Analysis by maturity
See note 7.5.

c. Analysis of fair value
See note 7.1.

d. Analysis of quality
See note 2.12.

2.7. Financial assets at amortised cost - Customer loans and advances

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Cash collateral	4,850	4,867
Loans and advances	30,595	27,138
TOTAL ASSETS BEFORE ALLOWANCES	**35,444**	**32,005**
Allowances	(286)	(220)
TOTAL ASSETS AFTER ALLOWANCES	**35,158**	**31,785**
of which included in finance leases	*1,116*	*1,070*

b. Analysis by maturity
See note 7.5.

c. Analysis of fair value
See note 7.1.

d. Analysis of quality
See note 2.12.

2.8. Accruals and other assets

Analysis by nature (in EUR million)	**31/12/2018**	**31/12/2019**
Deferred expense	5	5
Other accounts receivable	380	152
Other taxes	5	0
TOTAL ASSETS	**389**	**157**

2.9. Tangible fixed assets

a. Net book value

	Land and buildings	**Office furniture and other equipment**	**Total**
(in EUR million)	**Own use owner**	**Own use owner**	
Acquisition cost as at 1 January 2018	**14**	**39**	**52**
- Transfer in disposal groups held for sale	(12)	(3)	(15)
- Disposals	(2)	0	(2)
- Translation adjustments	0	1	1
Acquisition cost as at 31 December 2018 (A)	**0**	**37**	**37**
Accumulated depreciation and impairment as at 1 January 2018	**(12)**	**(37)**	**(48)**
- Transfer in disposal groups held for sale	10	3	12
- Depreciation booked	0	(1)	(1)
- Disposals	2	0	2
- Translation adjustments	0	(1)	(1)
Accumulated depreciation and impairment as at 31 December 2018 (B)	**0**	**(35)**	**(35)**
Net book value as at 31 December 2018 (A)+(B)	**0**	**2**	**2**

	Land and buildings	**Office furniture and other equipment**	**Total**
(in EUR million)	**Right-of-use**	**Own use owner**	
Acquisition cost as at 1 January 2019	**0**	**37**	**37**
- First time application of IFRS 16	60	0	60
- Acquisitions	0	1	1
- Transfers and cancellations	0	(18)	(18)
- Translation adjustments	0	1	1
Acquisition cost as at 31 December 2019 (A)	**60**	**21**	**81**
Accumulated depreciation and impairment as at 1 January 2019	**0**	**(35)**	**(35)**
- First time application of IFRS 16	(3)	0	(3)
- Depreciation booked	(10)	(1)	(11)
- Write-back	1	0	0
- Transfers and cancellations	0	18	18
- Translation adjustments	0	(1)	(1)
Accumulated depreciation and impairment as at 31 December 2019 (B)	**(12)**	**(19)**	**(31)**
Net book value as at 31 December 2019 (A)+(B)	**48**	**2**	**50**

b. Fair value of investment property

Nil.

c. Capitalised expenditures for the construction of tangible fixed assets

Nil.

d. Contractual obligations relating to investment property at the end of the period

Nil.

e. Contractual obligations relating to property, plant and equipment at the end of the period

Nil.

2.10. Intangible assets

(in EUR million)	2018 Internally developed software	2018 Other intangible assets (1)	2018 Total	2019 Internally developed software	2019 Other intangible assets (1)	2019 Total
Acquisition cost as at 1st January	**114**	**110**	**224**	**119**	**97**	**216**
- Transfers in disposal groups held for sale	0	(23)	(23)	0	0	0
- Acquisitions	8	11	19	8	3	11
- Transfers and cancellations	(3)	(1)	(4)	0	(27)	(27)
- Translation adjustments	0	1	1	0	0	0
Acquisition cost as at 31 December (A)	**119**	**97**	**216**	**127**	**73**	**200**
Accumulated depreciation and impairment as at 1st January	**(87)**	**(102)**	**(189)**	**(97)**	**(83)**	**(180)**
- Transfers in disposal groups held for sale	0	23	23	0	0	0
- Booked	(12)	(4)	(16)	(8)	(10)	(18)
- Transfers and cancellations	3	1	4	0	27	27
- Translation adjustments	0	(1)	(1)	0	0	0
Accumulated depreciation and impairment as at 31 December (B)	**(97)**	**(83)**	**(180)**	**(105)**	**(66)**	**(171)**
Net book value as at 31 December (A)+(B)	**22**	**14**	**37**	**22**	**7**	**29**

(1) Other intangible assets include primarily purchased software.

2.11. Leases

a. Group as lessor

Finance leases

Gross investment in finance leases (in EUR million)	**31/12/2018 - continuing operations**
Less than 1 year	46
1 year to 5 years	147
Over 5 years	928
Subtotal	**1,121**
Net investment in finance leases	**1,121**

Additional information (in EUR million)	**31/12/2018 - continuing operations**
Estimated fair value of finance leases	1,097

Gross investment in finance leases (in EUR million)	**31/12/2019**
Less than 1 year	38
1 to 2 years	2
3 to 4 years	138
Over 5 years	884
Subtotal	**1,062**
Net investment in finance leases	**1,062**

Operating leases

Nil

b. Group as Lessee

Finance leases

Nil.

Operating leases

Future net minimum lease payments under non-cancellable operating leases (in EUR million)	31/12/2018 - continuing operations
Less than 1 year	18
1 year to 5 years	51
TOTAL	**69**
Future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date	1

Lease and sublease payments recognized as expenses during the year (in EUR million)	31/12/2018 - continuing operations
Minimum lease payments	16
TOTAL	**16**

Future net minimum lease payments under non-cancellable operating leases (in EUR million)	31/12/2019
Less than 1 year	11
1 to 2 years	11
2 to 3 years	10
3 to 4 years	11
4 to 5 years	11
Over 5 years	6
TOTAL	**59**

Amounts recognised in profit and loss (in EUR million)	31/12/2019
Expense relating to short-term leases	12
Amounts recognised in the statement of cash flows	2

c. Carrying amount of right of use assets by class of underlying assets and depreciation

See note 2.9 Tangible fixed assets.

d. Finance lease liabilities included in financial statements

See note 3.5 Accruals and other liabilities

e. Lease contract not yet started for which the lessee is engaged

As of 31 December 2019, the impact of a new building lease to which Dexia is committed is below EUR 2.5 million. The rights of use will be recognized on January 1, 2020.

2.12. Quality of financial assets

(in EUR million)	31/12/2018 Gross amount - Stage 1	Gross amount - Stage 2	12-month expected credit losses	Lifetime expected credit losses	Net amount - Stage 1	Net amount - Stage 2
Non credit-impaired financial assets						
Financial assets at amortised cost - Debt securities	33,477	11,908	(3)	(242)	33,474	11,666
Financial assets at amortised cost - Interbank loans and advances	23,467	200	0	(2)	23,467	199
Financial assets at amortised cost - Customer loans and advances	27,715	6,917	(2)	(90)	27,713	6,827
Financial assets at fair value through OCI -Fixed revenue intruments	3,879	999	(1)	(4)	3,878	995
Other accounts receivable	64	1	0	0	64	1
TOTAL	**88,601**	**20,025**	**(5)**	**(337)**	**88,595**	**19,688**

(in EUR million)	31/12/2019 Gross amount - Stage 1	Gross amount - Stage 2	12-month expected credit losses	Lifetime expected credit losses	Net amount - Stage 1	Net amount - Stage 2
Non credit-impaired financial assets						
Financial assets at amortised cost - Debt securities	31,391	4,922	(4)	(50)	31,387	4,872
Financial assets at amortised cost - Interbank loans and advances	22,985	104	0	(2)	22,985	102
Financial assets at amortised cost - Customer loans and advances	23,680	7,767	(1)	(95)	23,679	7,672
Financial assets at fair value through OCI -Fixed revenue intruments	2,319	489	0	(12)	2,319	477
Other accounts receivable	69	2	0	0	69	2
TOTAL	**80,444**	**13,283**	**(5)**	**(159)**	**80,439**	**13,124**

	31/12/2018			31/12/2019		
(in EUR million)	Gross amount	Specific Impairment	Net amount	Gross amount	Specific Impairment	Net amount
Credit-impaired financial assets (stage 3)						
Financial assets at amortised cost - Debt securities	455	(93)	362	45	(3)	42
Financial assets at amortised cost - Customer loans and advances	743	(187)	556	477	(118)	359
Financial assets at fair value through OCI - fixed revenue intruments	5	(1)	4	2	0	2
Other accounts receivable	10	(10)	0	11	(11)	0
TOTAL	**1,213**	**(291)**	**922**	**535**	**(132)**	**403**

	31/12/2018			31/12/2019		
(in EUR million)	Gross amount	Specific Impairment	Net amount	Gross amount	Specific Impairment	Net amount
Purchased or originated credit impaired						
Financial assets at amortised cost - Customer loans and advances	69	(7)	62	81	(6)	75
TOTAL	**69**	**(7)**	**62**	**81**	**(6)**	**75**

(in EUR million)	31/12/2018 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities	45,840	(3)	(242)	(93)	45,502
Financial assets at amortised cost - Interbank loans and advances	23,667	0	(2)	0	23,665
Financial assets at amortised cost - Customer loans and advances	35,444	(2)	(90)	(194)	35,158
Financial assets at fair value through OCI -fixed revenue intruments	4,883	(1)	(4)	(1)	4,877
Other accounts receivable	75	0	0	(10)	65
TOTAL FINANCIAL ASSETS	**109,909**	**(5)**	**(337)**	**(299)**	**109,267**

Financial instruments for which there are no loss allowances recorded correspond to positions that are either guaranteed or senior, or marginally for which the bank has physical collateral.

(in EUR million)	31/12/2019 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities	36,357	(4)	(50)	(3)	36,301
Financial assets at amortised cost - Interbank loans and advances	23,089	0	(2)	0	23,087
Financial assets at amortised cost - Customer loans and advances	32,005	(1)	(95)	(124)	31,785
Financial assets at fair value through OCI -fixed revenue intruments	2,810	0	(12)	0	2,798
Other accounts receivable	82	0	0	(11)	71
TOTAL FINANCIAL ASSETS	**94,342**	**(5)**	**(159)**	**(138)**	**94,041**

Financial instruments for which there are no loss allowances recorded correspond to positions that are either guaranteed or senior, or marginally for which the bank has physical collateral.

2.13. Reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss and to financial assets through other comprehensive income

As part of the transformation project of the Dexia Credit Local branch in New York and in order to facilitate the transfer of the balance sheet from the entity to the headquarters in Paris, the Board of Directors of May 22, 2019 decided to sell a portfolio of EUR 6,538 million of financial assets held by the branch, classified at amortized cost on January 1, 2018, when the standard IFRS9 was first applied, because of the choice made by Dexia to manage these assets according to the business model which aims at receiving contractual cash flows over the life of the assets.
The decision to change the management intention of this portfolio constitutes a change in the business model which, in application of the standard IFRS9, results in the reclassification, on the first day of the reporting period following the decision, i.e. July 1, 2019, from «***Amortized cost***» to :
- «***Fair value through profit or loss***»: an asset portfolio of EUR 5,295 million (EUR 4,942 million in securities and EUR 353 million in customer loans) for which the sale decision is made.

The measurement at fair value of these assets on July 1 results in the recognition of an expense of EUR -314 million in «Net Gains (losses) on reclassification of financial assets measured at amortized cost into fair value through profit or loss «, including a negative effect of EUR - 124 million linked to the recycling, into the income statement, of the cash flow hedge reserve associated with the derivatives hedging the variable rate borrowings which financed part of these assets. The decision to sell the portfolio in the short term called into question the highly probable criteria of the financing, which led to the de-qualification of the hedging relationships.
Similarly, derivatives designated as portfolio hedges were dequalified on July 1, 2019 as part of the compliance with the prospective tests, with a negative impact of EUR -77 million included in the reclassification result.
- «***Fair value through other comprehensive income***» : a portfolio of EUR 1,243 million in assets (EUR 830 million in securities and EUR 413 million in customer loans), which Dexia has chosen to no longer manage according to the business model which aims at collecting contractual cash flows over the life of the assets.
The fair value measurement of these assets on July 1 has a negative effect of EUR -98 million in the change in fair value of debt instruments measured at fair value through other comprehensive income.

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Date of reclassification : July 1, 2019 (in EUR million)	Nominal Reclassification as of July 1, 2019	Amount coming from the reclassification recognized in : Income statement (1)	 Change in fair value of debt instruments measured at fair value through other comprehensive income
From Debt securities at amortised cost to Financial assets at fair value through profit or loss	4,942	(280)	
From Debt securities at amortised cost to Financial assets at fair value through other comprehensive income	830		(66)
From Customer loans and advances to Financial assets at fair value through profit or loss	353	(34)	
From customer loans and advances to Financial assets at fair value through other comprehensive income	413		(32)
TOTAL	**6,538**	**(314)**	**(98)**

(1) Including a charge of EUR -124 million related to the recycling, into the income statement, of the cash flow hedge reserve associated with the derivatives hedging part of the assets held for sale reclassified in fair value through profit or loss, which leads to have an effect of the reclassification on the group's equity to EUR -288 million.

2.14. Transfer of financial assets

The Group enters into transactions as repurchase agreements, securities lending agreements or total return swaps, in which the Group transfers financial assets, mainly loans and advances or debt securities, but retains substantially all of the risks and rewards. Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

(in EUR million)	31/12/2018 - Continuing operations Carrying amount of assets	 Carrying amount of associated liabilities	31/12/2019 Carrying amount of assets	 Carrying amount of associated liabilities
Financial assets at amortised cost - Debt securities not derecognised due to following transactions:				
Repurchase agreements	16,346	14,249	6,258	5,443
TOTAL	**16,346**	**14,249**	**6,258**	**5,443**
Financial assets at fair value through OCI not derecognised due to following transactions:				
Repurchase agreements	643	574	516	484
TOTAL	**643**	**574**	**516**	**484**
Non-trading financial assets mandatorily at fair value through P/L not derecognised due to following transactions:				
Repurchase agreements	65	48	406	332
TOTAL	**65**	**48**	**406**	**332**
TOTAL	**17,054**	**14,871**	**7,180**	**6,259**

3. Notes on the liabilities

(Some amounts may not add up due to rounding differences)

3.1. Financial liabilities at fair value through profit or loss

(in EUR million)	31/12/2018	31/12/2019
Liabilities designated at fair value	1,066	1,146
Derivatives (see note 4.1)	10,807	13,634
TOTAL	**11,872**	**14,780**

a. Analysis by nature of liabilities held for trading

Nil.

b. Analysis by nature of liabilities designated at fair value

(in EUR million)	31/12/2018	31/12/2019
Non subordinated liabilities	1,066	1,146
TOTAL	**1,066**	**1,146**

c. Credit risk on financial liabilities designated at fair value through profit or loss

	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk		Difference between carrying amount and amount contractually required to be paid at maturity [1]
(in EUR million)		For the period	Cumulative	
As at 31 December 2018	1,066	28	(53)	212
As at 31 December 2019	1,146	7	(46)	293

(1) This amount includes the premium/discount and change in market value.

c. Analysis by maturity

See note 7.5.

d. Analysis of fair value

See note 7.1.

The "Fair Value Option" (FVO), for financial liabilities is mainly used in the following situation:
By Dexia Financial Products Inc (FP) and FSA Global Funding Ltd for liabilities where the hedge accounting requirements are not met or there is a risk that they will not be met, the FVO is used as an alternative in order to reduce volatility in profit or loss.
The following types of liabilities are subject to the FVO classification:
a) Fixed rate liabilities that are highly customised funding contracts tailored to the specific needs of the investor (GIC activities).
Regarding collaterised liabilities by assets, the DVA spread is the average of spreads of collateral given as guarantee. Regarding non secured liabilities, they benefit from both Dexia and Assured monoliner guarantee. In this case, the own credit spread (DVA) is the lower of Dexia DVA spread and the Assured Guaranty spread.
b) FSA Global Funding fixed rate liabilities and the unsecured FP GICs.
The own credit spread is Dexia's DVA spread.
As at 31 December 2019, the cumulative change in fair value attributable to the own credit risk of financial liabilities designated at fair value amounted to EUR -46 million. This amount is booked in *Gains and losses directly recognised in equity.*

3.2. Interbank borrowings and deposits

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Demand deposits	0	75
Repurchase agreements	13,418	4,093
Cash collateral	2,333	3,502
Other debts	4,340	4,109
TOTAL	20,091	11,778

b. Analysis by maturity

See note 7.5.

c. Analysis of fair value

See note 7.1.

3.3. Customer borrowings and deposits

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Term deposits	296	275
Total customer deposits	**296**	**275**
Repurchase agreements	4,323	3,242
Cash collateral	85	145
Other borrowings	168	190
Total customer borrowings	**4,577**	**3,577**
TOTAL	4,873	3,851

b. Analysis by maturity

See note 7.5.

c. Analysis of fair value

See note 7.1.

3.4. Debt securities

a. Analysis by naturee

(in EUR million)	31/12/2018	31/12/2019
Certificates of deposit	3,144	351
Non-convertible bonds	64,815	62,377
TOTAL [1]	67,960	62,728

(1) As at 31 December 2019, the total amount issued with the State guarantee was EUR 60.5 billion (EUR 65.5 billion in 2018).

b. Analysis by maturity

See note 7.5.

c. Analysis of fair value

See note 7.1.

3.5. Accruals and other liabilities

(in EUR million)	31/12/2018	31/12/2019
Accrued costs	21	14
Deferred income	9	5
Grants	36	32
Salaries and social charges (payable)	8	6
Liabilities related to dividends	3	3
Other taxes	16	13
Rental debts		59
Other accounts payable and other liabilities	319	203
TOTAL	**411**	**336**

3.6. Provisions

a. Analysis by nature

(in EUR million)	31/12/2018	31/12/2019
Litigation claims [1]	321	186
Restructuring	27	40
Defined benefit plans	1	4
Other long-term employee benefits	3	3
Commitments and guarantees given [2]	9	8
- Commitments and guarantees given - stage 1	*0*	*0*
- Commitments and guarantees given - stage 2	*2*	*2*
- Commitments and guarantees given - stage 3	*6*	*6*
Onerous contracts	4	0
Other provisions	3	2
TOTAL PROVISIONS	**368**	**243**

(1) This item includes a provision related to desensitisation of structured credits in France.

(2) The evolution of this item is presented in the note 7.2.e.

b. Movements

(in EUR million)	Litigation claims [1]	Restructuring	Pensions and other employee benefits	Onerous contracts	Other provisions	Total
AS AT 01/01/2018	**328**	**34**	**8**	**1**	**0**	**372**
Additions	35	6	2	3	4	51
Unused amounts reversed	(29)	(10)	(6)			(46)
Amounts utilized during the year	(1)	(4)	(1)	(1)		(6)
Actuarial gains and losses			(1)			(1)
Transfers in non current assets held for sale	(7)				(1)	(8)
Other transfers	(6)		2			(4)
AS AT 31/12/2018	**321**	**27**	**4**	**4**	**3**	**359**

(1) We refer to the section Litigation in the chapter Risk Management of the Management Report.

(in EUR million)	Litigation claims [(1)(2)]	Restruc-turing	Pensions and other employee benefits	Onerous contracts	Other pro-visions	Total
AS AT 01/01/2019	321	27	4	4	3	359
Additions	19	23	1	0	0	43
Unused amounts reversed	(70)	(6)	0	(3)	(1)	(81)
Amounts utilized during the year	(24)	(3)	0	(1)	0	(29)
Actuarial gains and losses	0	0	3	0	0	3
Impact application IFRIC 23	(60)	0	0	0	0	(60)
AS AT 31/12/2019	186	40	7	0	2	235

(1) Includes a EUR 53 million reversal of the provision relating to the structured credit desensitisation activity in France as a result of the signature of a transaction protocol with 3 counterparties.
(2) We refer to the section Litigation in the chapter Risk Management of the Management Report.

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, Dexia holds a small number of subsidiaries with significant staff number in a few countries. Except commitments for legal pension and for defined contribution plans subject to a minimum guaranteed return in Belgium, commitments for defined benefit plans are limited.
They mainly concern retirement allowances in France, pension plans in Italy and pension plans for Belgian staff of the holding with less than 60 people.
Due to the downsizing of the group, the commitments decrease accordingly and the DBO (defined benefit obligation, long-term employee benefits and post-retirement obligations) represents less than 3% of consolidated equity. The amount of actuarial liabilities less the fair value of assets for retirement and other employee benefits is EUR 7 million as at 31 December 2019 and 4 million as at 31 December 2018.

d. Defined contribution plan

The Belgian defined contribution plans are subject by the law to a minimum guaranteed return. As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows :
(i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%; (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants. In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

3.7. Subordinated debt

a. Analysis by nature

Convertible subordinated debt
Nil.

Non-convertible subordinated debts

(in EUR million)	31/12/2018	31/12/2019
Perpetual subordinated notes	0	0
Other subordinated notes	126	20
TOTAL	126	20

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b. Reconciliation of liabilities arising from financing activities

(in EUR million) 01/01/2018	Cash flows	Non-cash changes Changes arising from obtaining or losing control of subsidiaries	Translation adjustment	Fair value changes	Other changes	31/12/2018
160	(34)	0	0	0	0	126

(in EUR million) 01/01/2019	Cash flows	Non-cash changes Changes arising from obtaining or losing control of subsidiaries	Translation adjustment	Fair value changes	Other changes	31/12/2019
126	(106)	0	1	0	0	20

c. Analysis by maturity

See note 7.5.

d. Analysis of fair value

See note 7.1.

3.8 Information on Equity

a. Capital stock

The subscribed and fully paid up share capital of Dexia SA amounts to EUR 500,000,000 represented by 420,134,302 shares without indication of their nominal value.

The extraordinary shareholders' meeting of 7 December 2017 approved the proposal to convert the preference shares subscribed in 2012 by the Belgian and French States for an amount of EUR 5.5 billion. As part of this conversion, all the preference shares issued on 31 December 2012 and held by the Belgian And French States are conversted into ordinary shares, at a conversion rate of 14,446 ordinary shares for each preference share. Simultaneously, profit shares bearing Contingent Liquidation Rights (CLR) are granted to the Belgian and French States. These CLR do not represent the capital of Dexia, but grant the States the right to benefit from a preferential distribution, on the liquidation of Dexia, after settlement of the debts and charges, in an amount of EUR 440 million per annum to count from 1 January 2018 up to the date of liquidation. This right to a preferential distribution in the event of liquidation may only be exercised once, on the occasion of Dexia's liquidation.

b. Super-subordinated perpetual note

In 2005, Dexia Crédit Local issued EUR 700 million in super-subordinated perpetual notes. The residual outstanding amounts to EUR 56 million, booked in minority interests.

Moreover, the residual outstanding of Deeply Subordinated Non-Cumulative Notes issued on october 2006 by Dexia Funding Luxembourg (merged with Dexia) amounts to EUR 40 million booked in equity, Group share.

4. Other Notes on the balance sheet

(Some amounts may not add up due to rounding differences)

4.1. Derivatives

a. Analysis by nature

	31/12/2018 - Continuing operations		31/12/2019	
(in EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.3 and 3.1)	**10,158**	**10,807**	**11,181**	**13,634**
Derivatives designated as fair value hedges	983	19,565	1,197	17,846
Derivatives designated as cash flow hedges	206	578	107	562
Derivatives designated as portfolio hedges	73	1,008	74	776
Hedging derivatives	**1,263**	**21,151**	**1,378**	**19,184**
TOTAL DERIVATIVES	**11,421**	**31,958**	**12,559**	**32,818**

b. Detail of derivatives at fair value through profit or loss

	31/12/2018 - Continuing operations			31/12/2019		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**178,129**	**8,433**	**9,475**	**154,238**	**9,301**	**12,151**
of which: economic hedges	*43,844*	*256*	*825*	*23,644*	*295*	*1,062*
OTC options	75			22	1	1
OTC other	177,512	8,433	9,475	153,927	9,300	12,150
Organized market other	542			290		
Foreign exchange derivatives	**21,065**	**1,493**	**1,208**	**23,517**	**1,684**	**1,372**
of which: economic hedges	*15,978*	*411*	*265*	*18,337*	*651*	*615*
OTC other	21,065	1,493	1,208	23,517	1,684	1,372
Credit derivatives	**3,130**	**232**	**124**	**3,208**	**197**	**111**
of which: economic hedges	*1,813*	*156*	*66*	*2,330*	*129*	*63*
Credit default swap	3,130	232	124	3,208	197	111
TOTAL	**202,324**	**10,158**	**10,807**	**180,963**	**11,181**	**13,634**

c. Detail of derivatives designated as fair value hedges

	31/12/2018 - Continuing operations			31/12/2019		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**73,522**	**917**	**18,807**	**60,212**	**974**	**15,106**
OTC options	34		4	23		3
OTC other	73,488	917	18,803	60,189	974	15,103
Foreign exchange derivatives	**6,412**	**66**	**758**	**6,058**	**223**	**2,739**
OTC other	6,412	66	758	6,058	223	2,739
TOTAL	**79,934**	**983**	**19,565**	**66,270**	**1,197**	**17,846**

d. Detail of derivatives designated as cash flow hedges

	31/12/2018 - Continuing operations			31/12/2019		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**1,099**	**15**	**225**	**877**	**13**	**217**
OTC other	1,099	15	225	877	13	217
Foreign exchange derivatives	**873**	**190**	**353**	**1,022**	**94**	**346**
OTC other	**873**	190	353	1,022	94	346
TOTAL	**1,972**	**206**	**578**	**1,899**	**107**	**562**

e. Detail of derivatives designated as hedges of a net investment in a foreign entity

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/2018 - Continuing operations			31/12/2019		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Portfolio fair value hedges of interest rate risk	8,451	73	1,008	5,635	74	776
TOTAL	8,451	73	1,008	5,635	74	776

4.2. Deferred taxes

a. Analysis by nature

	31/12/2018	31/12/2018	31/12/2019
(in EUR million)	Continuing operations	Activities held for sale	
Deferred tax assets	1,534	133	1,655
Unrecognised deferred tax assets	(1,514)	(133)	(1,635)
Recognised deferred tax assets[1]	**20**	**0**	**20**
Deferred tax liabilities[1]	**(40)**	**0**	**(35)**
TOTAL	(20)	0	(15)

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

The effects of movements in deferred tax on net income and on unrealised or deferred gains and losses are analysed in note 5.12 "Income tax" and in the "Consolidated statement of comprehensive income" respectively.

b. Movements

(in EUR million)	2018 Continuing operations	2019
AS AT 1 JANUARY	22	(20)
Charge/credit recognised in the income statement: "Income tax"	(43)	13
Movements directly recognized in shareholders' equity		(6)
AS AT 31 DECEMBER	(20)	(15)

c. Deferred taxes

(in EUR million)	31/12/2018 Continuing operations	31/12/2019
Deferred tax assets	1,534	1,655
Deferred tax liabilities	(40)	(35)
DEFERRED TAXES	1,494	1,620

Deferred taxes coming from assets of the balance sheet	2018 - Continuing operations		2019	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Loans (and loan loss provisions)	(1,044)	72	(1,233)	(197)
Securities	(1,224)	73	(1,129)	106
Derivatives	326	257	394	64
Tangible fixed assets and intangible assets			3	3
Accruals and other assets	8	(15)	0	(8)
TOTAL	(1,934)	387	(1,965)	(32)

Deferred taxes coming from liabilities of the balance sheet (in EUR million)	2018 - Continuing operations Total	of which, change through profit or loss	2019 Total	of which, change through profit or loss
Derivatives	1,582	(332)	1,496	(81)
Borrowings, deposits and debt securities	95	5	196	107
Provisions	66	(10)	104	38
Pensions	3	(1)	3	1
Non-deductible provisions	(9)	0	(9)	0
Accruals and other liabilities	4	20	5	1
TOTAL	**1,741**	**(318)**	**1,795**	**66**

Deferred taxes coming from other elements (in EUR million)	2018 - Continuing operations Total	of which, change through profit or loss	2019 Total	of which, change through profit or loss
Tax losses carried forward	1,687	31	1,791	100
TOTAL	**1,687**	**31**	**1,791**	**100**
TOTAL DEFERRED TAXES	**1,494**		**1,620**	

d. Expiry date of unrecognised deferred tax assets

(in EUR million)	31/12/2018 - Continuing operations		
Nature	**Over 5 years**	**Unlimited maturity**	**Total**
Temporary difference		(98)	(98)
Tax losses carried forward	(151)	(1 265)	(1 416)
TOTAL	**(151)**	**(1 363)**	**(1 514)**

(in EUR million)	31/12/2019		
Nature	**Over 5 years**	**Unlimited maturity**	**Total**
Temporary difference		(123)	(123)
Tax losses carried forward	(202)	(1,311)	(1,512)
TOTAL	**(202)**	**(1,434)**	**(1,635)**

4.3. Offsetting financial assets and financial liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting.

The column "Gross amounts set off on the balance sheet" discloses the amounts offset in accordance with the IAS 32 criteria described in note "Accounting principles and rules governing the consolidated financial statements". Amounts set off are related to Dexia's derivative instruments and repurchase agreements traded with clearing houses.

The column "Impact of Master Netting agreements and similar agreements" includes the amounts of financial instruments that are subject to an enforceable master netting arrangement or similar agreement but which do not meet the offsetting criteria defined by IAS 32. This is the case of Dexia's transactions that are subject to ISDA Master Netting Agreements and Global Master Repurchase Agreements for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the counterparties.

The Dexia Group Master Netting Agreement ("DGMNA") dated as of 2 November 2009 had been concluded between Dexia SA/NV, Banque Internationale à Luxembourg S.A. (formerly known as Dexia Banque Internationale à Luxembourg S.A.), Belfius Bank SA/NV (formerly known as Dexia Bank Belgium SA/NV), Dexia Crédit Local S.A. and Dexia Crediop SpA. The DGMNA permits netting or "Set-Off" amounts owed under transactions governed by different agreements, including one or more ISDA Master agreements or other trading agreements ("Principal Agreements") between the parties to the DGMNA. The DGMNA essentially aims at allowing netting in the event of a default on behalf of one of the parties, and therefore permits netting only when the transactions under the Principal Agreements are accelerated, terminated, liquidated or canceled (a so-called "Close Out" situation).

When a party is in default under the DGMNA, each other non defaulting Party may elect to Close Out all of the transactions under each Principal Agreement to which such non defaulting Party is a party.

Banque Internationale à Luxembourg and Belfius Banque SA/NV are no longer part of the DGMNA since 29 January 2014 and 16 November 2015, respectively.

This agreement only concerns possible default situations of Dexia, Dexia Crédit Local or Dexia Crediop.

The columns "Cash collateral" and "Financial instruments received or given as collateral" disclose the amounts related to financial collateral. They mainly include Dexia's guarantee deposits and securities received or given as collateral and disclosed at their fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the counterparties.

Dexia includes instruments at their recognized amounts, however the amount of collateral is limited to the amount of the guaranteed asset or liability.

a. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2018 - Continuing operations						
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives	11,217	(578)	10,639	(5,863)	(2,414)	0	2,362
Reverse repurchase and similar agreements	2,575	0	2,575	(550)	(297)	(1,728)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**13,792**	**(578)**	**13,214**	**(6,413)**	**(2,711)**	**(1,728)**	**2,362**

b. Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2018 - Continuing operations						
	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	
Derivatives	32,482	(578)	31,904	(5,863)	(25,806)	0	234
Repurchase and similar agreements	17,395	0	17,395	(550)	0	(16,843)	1
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**49,877**	**(578)**	**49,299**	**(6,413)**	**(25,806)**	**(16,843)**	**235**

c. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2019						
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives	13,680	(1,827)	11,853	(6,926)	(3,867)	0	1,060
Reverse repurchase and similar agreements	1,502	0	1,502	0	(352)	(1,150)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**15,182**	**(1,827)**	**13,355**	**(6,926)**	**(4,219)**	**(1,150)**	**1,060**

d. Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2019						
	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	
Derivatives	34,571	(1,827)	32,744	(6,926)	(20,445)	0	5,373
Repurchase and similar agreements	7,334	0	7,334	0	0	(7,334)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**41,905**	**(1,827)**	**40,078**	**(6,926)**	**(20,445)**	**(7,334)**	**5,373**

4.4. Related-party transactions

a. Related-party transactions

Since 31 December 2012, as a result of the capital increase subscribed by the Belgian and French States, these shareholders have become the only two shareholders having a significant influence on Dexia.

Group transactions with these shareholders are described in 4.4 c. below. Pursuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the State Shareholders are not subject to a separate disclosure.
As a result of the ongoing restructuring plan of the group, Dexia does not have any transactions with related parties anymore.

b. Compensation of key management personnel (*)

(in EUR million)	2018	2019
Short-term benefits(1)	4	4

(*) key management personnel are members of the Board of Directors and of the Management Board
(1) Includes salaries and other benefits

Details per person are reported in the section Compensation report, in the «Corporate Governance Statement» chapter of this annual report.

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2013 guarantee agreement
On 24 January 2013, the French, Belgian and Luxembourg States and Dexia and Dexia Crédit Local ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the Group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia and Dexia Crédit Local SA" (as ratified by the law of 17 June 2013 "*portant des dispositions fiscales et financières et des dispositions relatives au développement durable*"), the French Enabling Law, as amended by the amending finance law n°2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.

Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.
The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantee Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the pre-existing guaranteed amounts outstanding under the 2011 Temporary Guarantee and the new guaranteed amounts outstanding under guarantees issued in accordance with the Guarantees Issuance Agreement (it being understood that such monthly fee shall, with respect to the portion of the outstanding amount of the guaranteed obligations that would be held by BDF Gestion SA or by the Banque de France, the National Bank of Belgium, be calculated in accordance with the 2011 Temporary Guarantee Agreement (as long as the ECB accepts the all-in fee principle).

The outstanding amount of the guaranteed debt pursuant to the 2013 guarantee agreement is disclosed on a daily basis on the website of the National Bank of Belgium (http://www.nbb.be/DOC/DQ/warandia/index.htm).

As at 31 December 2019, the total outstanding amount of obligations guaranteed by the States pursuant to the 2013 Guarantee Agreement was EUR 60.5 billion. In 2019, Dexia paid a total monthly remuneration of EUR 33 million to the States for these guarantees.

Guarantee for the financial products portfolio

Dexia entered into an agreement for the sale of the insurance activities of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured) on 14 November 2008. The sale was completed on 1 July 2009. The Financial Products activity of FSA, managed by FSA Asset Management (FSAM), was carved out of the transaction and remains under Dexia's ownership.
In that context, the Belgian and French States agreed to provide a guarantee on the Financial Products assets portfolio. This guarantee was approved by the European Commission

on 13 March 2009. The terms of this guarantee are set out in two agreements, the First Demand Guarantee Agreement relating to the "financial products" portfolio of FSA Asset Management LLC and the Guarantee Reimbursement Agreement, entered into by the Belgian and French States and Dexia. The main relevant terms of these agreements have been described in the 2011 Annual Report page 165.

Pursuant to these agreements, the Belgian and French States each agreed to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio Assets) included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.

With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. Dexia also no longer owes the States any guarantee fee with respect thereto. The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts paid pursuant to their guarantee according to the Guarantee Reimbursement Agreement.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009, as last updated by the Special Board Report of 18 March 2011, both available on the website of Dexia (www.dexia.com).

4.5. Acquisitions and disposals of consolidated companies

a. Acquisitions

Nil.

b. Disposals

On March 17, 2018, Dexia Credit Local reached an agreement with qualified investors concerning an off-market transaction about the sale of all its shares in Dexia Israel Bank (Dexia Israel), representing 58.89 % of the capital.
On 1 May 2019, Dexia and Helaba concluded the sale of Dexia Kommunalbank Deutschland (DKD), the German banking subsidiary of Dexia Credit Local, to Helaba. This sale concerns all the shares of Dexia Credit Local in DKD, representing 100% of the capital.
The assets and liabilities disposed of were as follows:

	Dexia Israël	Dexia Kommunalbank Deutschland
(in EUR million)	**2018**	**2019**
Cash and cash equivalent	712	17
Cash and central banks		111
Financial assets at faire value through profit or loss		660
Hedging derivatives		3,373
Financial assets at fair value through OCI	140	121
Financial assets at amortised cost - Debt securities	136	2,793
Financial assets at amortised cost - Interbank loans and advances		2,536
Financial assets at amortised cost - Customer loans and advances	1,093	14,861
Fair value revaluation of portfolie hedges		314
Current tax assets	12	
Deferred tax assets	2	
Accruals and other assets		8
Tangible fixed assets	6	
Intercompany accounts : net position	(36)	(90)
Financial liabilities at fair value through profit or loss		(538)
Hedging derivatives		(3,923)
Interbank borrowings and deposits		(1,582)
Customer borrowings and deposits	(1,262)	(2,078)
Debt securities	(518)	(16,360)
Accruals and other liabilities	(76)	(15)
Provisions	(1)	(7)
Subordinated debt	(38)	
NET ASSETS	**171**	**203**
Sale price	81	352
Less: cost of the transaction	(1)	(8)
Less: cash and cash equivalents in the subsidiary sold	(712)	(17)
Net cash inflow on sale	(632)	328

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4.6 Information on disposals groups held for sale and discontinued operations

a. Assets and liabilities included in disposal groups held for sale

On 14 December 2018, Dexia and Helaba signed a sale and purchase agreement allowing Helaba to buy 100% of the shares in Dexia Kommunalbank Deutschland (DKD).
Dexia Kommunalbank Deutschland was classified as a disposal group held for sale and qualified as a discontinued operation, in accordance with IFRS 5.

(in EUR million)	2018 Dexia Kommunalbank Deutschland
Cash and cash equivalents	102
Cash and central banks	136
Financial assets at fair value through profit or loss	727
Hedging derivatives	3,159
Financial assets at fair value through other comprehensive income	122
Financial assets at amortised cost - Debt securities	2,789
Financial assets at amortised cost - Interbank loans and advances	2,350
Financial assets at amortised cost - Customer loans and advances	14,723
Fair value revaluation of portfolio hedges	255
Accruals and other assets	8
Tangible fixed assets	3
Intercompany accounts : net position	(111)
Financial liabilities at fair value through profit or loss	(524)
Hedging derivatives	(3,703)
Interbank borrowings and deposits	(1,064)
Customer borrowings and deposits	(2,139)
Debt securities	(16,614)
Accruals and other liabilities	(2)
Provisions	(8)
NET ASSETS	**209**

b. Income Statement

	31/12/2018	31/12/2019	
(in EUR million)	Dexia Kommunalbank Deutschland	DenizBank	Dexia Kommunalbank Deutschland
Net banking income	49		(4)
Operating expenses	(28)		(15)
Cost of credit risk and others	1		10
Net result before tax	**23**		**(9)**
Income tax			
Net result	**23**		**(9)**
Result on disposal		4	(106)
Income from discontinued operations, net of tax	**23**	**4**	**(115)**
Minority interest			
Group share	**23**	**4**	**(115)**

c. Net cash flow

(in EUR million)	31/12/2018 Dexia Kommunalbank Deutschland	31/12/2019 Dexia Kommunalbank Deutschland
Net cash inflows from operating activities	71	(97)
Net cash inflows from investing activities		340
Net cash inflows from financinf activities	(14)	
TOTAL	**57**	**243**

4.7. Capital stock

	2018	2019
	Category A	Category A
Number of shares authorized	420,134,302	420,134,302
Number of shares issued and fully paid	420,134,302	420,134,302
Number of shares issued and not fully paid		
Value per share	**no nominal value**	**no nominal value**
Outstanding as at 1 Jan.	420,134,302	420,134,302
Number of shares issued		
Number of shares cancelled		
Outstanding as at 31 Dec.	420,134,302	420,134,302
Number of treasury shares	112	112
Number of shares reserved for issue under stock options and contracts for the sale of shares	112	112

See note 4.4.c Transactions with the Belgian, French and Luxembourg States

The share capital of Dexia SA amounts to EUR 500,000,000 as at 31 December 2019.
Since the extraordinary shareholders' meeting of 7 December 2017, it is represented by 420,134,302 shares without indication of their nominal value, each representing 1/420,134,302 of the share capital.
The Extraordinary Shareholders' Meeting of Dexia SA held on October 16, 2019 approved the proposal to withdraw Dexia shares from trading on the regulated market of Euronext Brussels. The delisting has been effective since December 2, 2019. The Extraordinary Shareholders' Meeting of October 16, 2019 also decided, in order to rationalize and simplify the administrative management of the company, to abolish the dematerialized form of the shares. As a consequence, since December 2, 2019, Dexia's capital has been represented exclusively by registered shares.

Conversion of the preference shares

On 7 December 2017, an extraordinary shareholders' meeting approved the proposal to convert the preference shares (Class B category) subscribed in 2012 by the Belgian and French States and to issue profit shares.
As part of this conversion, all the preference shares issued on 31 December 2012 and held by the Belgian and French States are converted into ordinary shares, at a conversion rate of 14.446 ordinary shares (i.e. currently category A shares) against one preference share (currently category B shares). Furthermore, profit shares bearing Contingent Liquidation Rights (CLR) are granted to the Belgian and French States. These CLR do not represent the capital of Dexia, but grant the States the right to benefit from a preferential distribution, on the liquidation of Dexia, after settlement of the debts and charges, in an amount of EUR 440 million per annum to count from 1 January 2018 up to the date of liquidation. This right to a preferential distribution in the event of liquidation may only be exercised once, of the occasion of Dexia's liquidation.
The conversion plan approved by the extraordinary shareholders' meeting today falls within the framework of the Dexia orderly resolution plan approved by the European Commission on 28 December 2012. It is implemented with a view to meeting the requirements of banking regulations. In particular, the conversion plan has the following two objectives:
- on the one hand, to ensure the observance by the Company of the capital ratios imposed by the European Central Bank (ECB) in its decision dated 8 December 2016;
- and on the other hand, to ensure the ongoing observance of the "burden sharing" requirements imposed by the European Commission in its decision dated 28 December 2012 by virtue of the regulations on State aid which, to recall, aim to guarantee that any improvement in Dexia's financial situation will primarily and principally benefit the States.
The plan was approved by the European Commission on 19 September 2017. On 27 November 2017, the ECB gave its consent to the ordinary shares emanating from the conversion to be effectively treated as Common Equity Tier 1.

4.8. Exchange rates

The primary exchange rates are presented in the following schedule.

		31/12/2018		31/12/2019	
		Closing rate[(1)]	Average rate[(2)]	Closing rate[(1)]	Average rate[(2)]
Australian dollar	AUD	1.6231	1.5827	1.5984	1.6084
Canadian dollar	CAD	1.5613	1.5315	1.4567	1.4813
Swiss Franc	CHF	1.1282	1.1507	1.0862	1.1118
Czech Koruna	CZK	25.7675	25.6815	25.4075	25.6608
Danish Krone	DKK	7.4678	7.4534	7.4718	7.4659
British Pound Sterling	GBP	0.8940	0.8855	0.8486	0.8746
Hong-Kong dollar	HKD	8.9498	9.2392	8.7467	8.7700
Hungarian forint	HUF	320.9350	319.9317	330.4450	325.8375
Shekel	ILS	4.2812	4.2496	3.8831	3.9787
Japenese Yen	JPY	125.6600	129.9363	121.9200	121.9921
Won	KRW	1274.0500	1294.9375	1296.2950	1303.9483
Mexican Peso	MXN	22.4678	22.6531	21.1893	21.6307
Norwegian Krone	NOK	9.9373	9.6258	9.8474	9.8481
New Zealand dollar	NZD	1.7075	1.7079	1.6640	1.6963
Swedish Krona	SEK	10.2205	10.2998	10.4754	10.5876
Singapore dollar	SGD	1.5582	1.5894	1.5096	1.5254
New Turkish Lira	TRY	6.0403	5.7049	6.6771	6.3580
US Dollar	USD	1.1430	1.1787	1.1227	1.1195

(1) Rate observed on Reuters at 4:45 pm on the last business day of the month of December.
(2) Average of the closing rates used by the Dexia group.

4.9. Management of capital

The information regarding management of capital is provided in the chapter Information on capital and liquidity of the Management Report.

5. Notes on the income statement

(Some amounts may not add up due to rounding differences)

5.1. Interest income - Interest expense

(in EUR million)	2018	2019
Interest income	**7,827**	**7,321**
a) Interest income on assets not measured at fair value through P/L	**2,075**	**1,749**
Cash and central banks	23	40
Financial assets at amortised cost - Interbank loans and advances	116	34
Financial assets at amortised cost - Customer loans and advances [3]	728	714
Financial assets at amortised cost - Debt securities	1,018	861
Financial assets at fair value through OCI	182	93
Other	7	7
b) Interest income on assets measured at fair value through P/L	**5,382**	**5,225**
Financial assets mandatorily at fair value through P/L	141	155
Derivatives held for trading	3,451	3,566
Hedging derivatives	1,790	1,504
c) Interests received on financial liabilities	**370**	**347**
Interests received on financial liabilities [2]	370	347
Interest expense	**(7,778)**	**(7,333)**
a) Interest expense on liabilities not measured at fair value	**(1,409)**	**(1,311)**
Interbank borrowings and deposits	(469)	(276)
Customer borrowings and deposits	(26)	(69)
Debt securities	(875)	(932)
Subordinated debt	(1)	0
Amounts covered by sovereign guarantees [1]	(33)	(33)
Other	(4)	(1)
b) Interest expense on liabilities measured at fair value	**(6,002)**	**(5,643)**
Lliabilities designated at fair value through P/L	(51)	(44)
Derivatives held for trading	(3,351)	(3,404)
Hedging derivatives	(2,601)	(2,195)
c) Interests paid on financial assets	**(366)**	**(379)**
Interests paid on financial assets [2]	(366)	(379)
Net interest income	**49**	**(12)**

(1) This item includes fees paid to the States for the guarantees they granted to Dexia's debt. See also note 4.4.c Related-party transactions - Transactions with the Belgian, French and Luxembourg States.
(2) In the current environment of very low or negative rates, Dexia decided to present separately positive interests on financial liabilities and negative interests on financial assets.
(3) Of which EUR 30 million relating to leases at 31 december 2019 (EUR 33 million at 31 decembre 2018).

5.2. Fees and Commissions

	2018			2019		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	7	(1)	6	6	(4)	2
Purchase and sale of securities	0	(1)	(1)	0	(1)	(1)
Payment services	0	(3)	(3)	0	(3)	(3)
Services on securities other than custodial services	0	(1)	(1)	0	(1)	(1)
Custodial services	3	0	2	3	0	3
Compensation and settlement-delivery	0	0	0	0	(1)	(1)
Intermediation on bond lending and reverse repo	1	(7)	(6)	0	(7)	(7)
Other	0	(1)	0	1	0	1
TOTAL	**11**	**(15)**	**(4)**	**10**	**(17)**	**(7)**

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

5.3. Net gains (losses) on financial instruments at fair value through profit or loss

(in EUR million)	2018	2019
Dividend income on non trading equity instruments mandatorily at FVTPL	3	8
Net trading income	55	10
Net result of hedge accounting	(87)	(219)
Net result of financial liabilities designated at fair value through profit or loss (1)	33	10
Net result on non-trading financial assets mandatorily at fair value through profit or loss (2)	(37)	50
Funding costs associated with non-collateralised derivatives (FVA) (3)(4)	(73)	88
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment) (3)	(35)	58
Change in fair value of derivatives attributable to own credit risk (debit value adjustment) (3)	5	(8)
Net result of foreign exchange transactions	(7)	(12)
TOTAL	**(144)**	**(15)**
(1) Of which derivatives included in a fair value option strategy	(53)	81
(2) Of which derivatives included in an economic hedge strategy	106	7

(3) FVA, CVA et DVA are booked in the result of trading activities.
(4) In accordance with the provisions of IFRS 13 and in line with market practice, the Dexia Group developed a methodology for the calculation, from June 2015, of a Funding Valuation Adjustment (FVA) aimed measuring the funding costs associated with non-collateralised derivatives.

All interests received and paid on assets, liabilities and derivatives are recorded in the net interest income.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions only include the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

Analysis of net result of hedge accounting

(in EUR million)	2018	2019
Fair value hedges	**(92)**	**(219)**
Fair value changes of the hedged item attributable to the hedged risk	(1,361)	(110)
Fair value changes of the hedging derivatives	1,269	(109)
Cash flow hedges	**5**	**0**
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	5	0
Portfolio hedge	**0**	**0**
Fair value changes of the hedged item	(256)	(225)
Fair value changes of the hedging derivatives	256	225
TOTAL	**(87)**	**(219)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	3	2

The inefficiency is mainly caused by the volatility of the variable component of hedging derivatives.
Changes in fair value of the hedged items and the hedging derivatives do not appear to be significant in 2019 compared to 2018. This is due to the fact that i) the group has issued longer-term debts and hedged these debts, and ii) the amount of the hedged assets decreased as a result of increased deleveraging. Changes in the fair value of the debts offset those on the assets in 2019. Without offsetting, these changes are of the same magnitude as in 2018.

5.4. Net gains (losses) on financial assets measured at FVOCI

(in EUR million)	2018	2019
Dividend income on equity instruments designated at FVOCI - investments derecognised during the reporting period	2	0
Net gain (loss) on disposals of loans measured at FVOCI	12	9
Net gain (loss) on disposals of bonds measured at FVOCI [1]	(105)	(158)
TOTAL	**(91)**	**(149)**

(1) 2019 includes a EUR - 52 million loss on the sale of a EUR 1.2 billion portfolio of US assets (student loans for the most part), a EUR -30 million loss on the sale of japanese securities (EUR 363 million), as well as a EUR -32 million loss on the sale of a EUR 432 million portfolio of spanish cedulas.
2018 included losses related to the sales of students losses on sales of students loans and spanish cedulas..

5.5. Net gains (losses) on financial instruments measured at AC

In the second half of 2019, disposals of financial assets at amortised cost were mainly carried out as part of a sales program validated by the board of Directors on July 19, 2019, insofar as, in accordance with IFRS9, the change in accounting classification reflecting the new way of managing the portfolio will not be effective until January 1, 2020, the first day of the reporting period following the decision to change the business model.
The only significant asset at amortised cost sold in 2019 excluding a change of business model is an English ABS hedged by a CDS (NBT) issued by a European bank which has decided to close its headquarters in London as part of the Brexit. Considering the risks associated to the loss of the CDS protection and the proposition to buyback the security issued, the bond and the CDS have been sold.

(in EUR million)	2018	2019
Net gain (loss) on disposals of loans measured at AC [1] [2]	(5)	(4)
Net gain (loss) on disposals of bonds measured at AC [1] [3]	(5)	(231)
Net gain (loss) on redemption of borrowings and deposits	(6)	(19)
TOTAL	**(16)**	**(254)**

(1) Except for gains and losses on impaired securities, which are included in cost of risk.
(2) In 2019, mainly thanks to two French public sector loan sale programs (EUR 792 million) as well as the disposal of social housing loans (GBP 708 million)
(3) In 2019, the item mainly includes a loss of EUR -101 million on the sale of a Japanese securities portfolio of EUR 1 billion, a loss of EUR -48 million on the sale of an Italian sovereign exposure of EUR 532 million, and a loss of EUR -28 million on the sale of a US assets portfolio of EUR 1.1 billion. A loss of EUR -4 million was also recorded on the disposal of an English ABS hedged by a CDS.
The disposal of these assets has implied the unwinding of the derivatives designated as portfolio hedge, which generated the recognition of losses for EUR -37 million.

5.6. Other income

(in EUR million)	2018	2019
Other banking income	0	1
Litigations [1]	28	68
Other income	1	3
TOTAL	**28**	**72**

(1) Structured loans are regularly analysed based on the progress of cases and on their environment (court decisions, parameters for establishment of support funds, etc). This gives rise to allocations and reversals, which are disclosed respectively in Note 5.6 Other income and in Note 5.7 Other expenses, as well as, in 2019, the recognition of a reversal of a EUR +53 million following the signing of a protocol of agreement with three counterparties.

5.7. Other expenses

(in EUR million)	2018	2019
Provisions for litigations [1]	(54)	(31)
Other expenses [1]		(35)
TOTAL	**(54)**	**(67)**

(1) Structured loans are regularly analyzed based on the progress of cases and on their environment (court decisions, parameters for establishment of support funds, etc). This gives rise to allocations and reversals, which are disclosed respectively in Note 5.6 Other income and in Note 5.7 Other expenses, as well as, in 2019, the recognition of an expense of a EUR -35 million following the signing of a protocol of agreement with three counterparties.

5.8. Operating expenses

(in EUR million)	2018	2019
Payroll costs	(118)	(118)
General and administrative expenses	(250)	(232)
TOTAL	**(369)**	**(350)**

a. Payroll Costs

(in EUR million)	2018	2019
Compensation and salary expense	(87)	(71)
Social security and insurance expense	(29)	(25)
Employee benefits	(3)	(7)
Restructuring costs	5	(14)
Other	(5)	(1)
TOTAL	**(118)**	**(118)**

b. Employee information

	2018	2019
(Average full time equivalent)	Fully consolidated	Fully consolidated
Executive staff	27	22
Administrative staff	673	586
Non-administrative and other personnel	1	0
TOTAL	**701**	**608**

	2018						
(Average full time equivalent)	Belgium	France	Italy	Spain	Other Europe	USA	Total
Executive staff	7	7	2	1	2	8	27
Administrative staff	48	432	82	8	20	83	673
Non-administrative and other personnel	0	0	1	0	0	0	1
TOTAL	**55**	**439**	**85**	**9**	**22**	**91**	**701**

	2019						
(Average full time equivalent)	Belgium	France	Italy	Spain (1)	Other Europe	USA (2)	Total
Executive staff	8	6	2	0	2	4	22
Administrative staff	48	407	74	0	18	39	586
TOTAL	**56**	**413**	**76**	**0**	**20**	**43**	**608**

(1) Closure of Dexia Credit Local Madrid branch on March 29, 2019.
(2) Following the decision to transform Dexia Credit Local New-York branch into a representation office in June 30,2020, the activities were taken over by Paris headquarters on October 1, 2019, and the staff in USA has been reduced accordingly : it should reach 10 people by the end of 2020.

c. Operating expenses

(in EUR million)	2018	2019
Cost of premises	(5)	(5)
Rent expense (1)	(16)	(7)
Fees	(49)	(51)
Marketing, advertising and public relations	(1)	(1)
IT expense	(60)	(84)
Software, research and development	(2)	(2)
Maintenance and repair	(1)	(2)
Insurance (except related to pensions)	(4)	(3)
Other taxes (2)	(90)	(63)
Other general and administrative expenses	(22)	(14)
TOTAL	**(250)**	**(232)**

(1) This amount does not include IT equipment rental expenses, which are included in the «IT expense» line.
(2) This item includes an expense (EUR -50 million in 2019 and EUR -72 million in 2018) corresponding to 85% of the amount of the payment to the annual contribution to the Single Resolution Fund (SRF) set up by the European authorities under the Single Supervisory Mechanism, an amount of EUR -3 million representing the fees for the ECB supervision in 2018 and 2019, and an amount of EUR -2 million, in respect of the contribution, in 2018 and 2019, to support funds for local authorities and hospital sector implemented in France. The item also included in 2018 a tax for systemic risk of EUR - 4 million, which is no longer in force in 2019.

5.9. Depreciation, amortisation and impairment of tangible fixed assets and intangible assets

Depreciation and amortisation (in EUR million)	2018	2019
Depreciation of other tangible fixed assets (1)	(1)	(11)
Amortization of intangible assets	(17)	(18)
TOTAL	**(17)**	**(29)**

(1) See note 1.6 : the application of the standard IFRS16 «Leases» leads to the recognition in 2019 of a depreciation of EUR -9 million, as the right to use the premises hosting the head office of Dexia Credit Local.

Impairment

Nil.

Losses or gains

Nil

5.10. Cost of credit risk

	2018				
(in EUR million)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired debt instruments	Total
Financial assets at amortised cost - Interbank loans and advances		1			1
Financial assets at amortised cost - Customer loans and advances	(1)	60	(39)	6	26
Financial assets at amortised cost - Interbank debt securities	2	5			7
Financial assets at amortised cost - Customer debt securities		89	(26)		63
Financial assets at fair value through OCI - Customer loans and advances			1		1
Financial assets at fair value through OCI - Debt securities	2	4	23		29
Other accounts receivable			(3)		(3)
Off-balance sheet commitments		5			4
TOTAL	**3**	**163**	**(44)**	**6**	**128**

	2019				
(in EUR million)	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired debt instruments	Total
Financial assets at amortised cost - Customer loans and advances	0	(17)	7	1	(9)
Financial assets at amortised cost - Interbank debt securities		1			1
Financial assets at amortised cost - Customer debt securities (1)	(1)	178	61		238
Financial assets at fair value through OCI -Customer loans and advances			30		30
Financial assets at fair value through OCI -Debt securities	1	4			5
Other accounts receivable			(1)		(1)
Off-balance sheet commitments		1			1
TOTAL	**0**	**167**	**97**	**1**	**265**

(1) Since the first time application of IFRS 9, the Group decided in Q2 2019 to perform a significant deleveraging of assets of its US based activities in the context of the closure of the branch and to perform an additional significant deleveraging plan in Q3 2019 to face new regulatory constraints. Moreover, the Group sold its German subsidiary DKD in Q2 2019, leading to a decrease of EUR 24 million of its total balance sheet assets. Those decisions led to an important change in the composition of the existing portfolio as of January 1, 2018. In addition, the Group decided to move from the regulatory "advanced method" approach to the "standard method approach" in 2020. Therefore, the SICR methodology has been updated in 2019 to take into account all those changes. The updated methodology also includes the improvements and better knowledge of credit risk gained during the two years since January 1, 2018. The effect of this change of methodology is recorded as a change in accounting estimate and is recognized prospectively by including the impact in profit or loss of the period of the change, i.e. the year 2019.

Should the old methodology been applied, the amount of collective provision stage 2 would have been EUR 316 million before upgrade of rating of Portugal. The current provision, based on the new formula, amounts EUR 166 million and the main changes are composed of a decrease of provision coming from the Portugal of EUR 164 million and an addition on Italian exposures for EUR 12 million. If the previous method was kept, the provision on Portugal would had been reversed in Q1 2020 due to rerating.

Detail

Stage 1	2018			2019		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Customer loans and advances	(2)	1	(1)	(1)	1	0
Financial assets at amortised cost - Interbank debt securities		2	2			
Financial assets at amortised cost - Customer debt securities	(2)	3	0	(4)	3	(1)
Financial assets at fair value through OCI -Debt securities	(1)	2	2	0	1	1
TOTAL	**(5)**	**8**	**3**	**(5)**	**5**	**0**

Stage 2	2018			2019		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Interbank loans and advances		1	1			
Financial assets at amortised cost - Customer loans and advances	(18)	78	60	(70)	53	(17)
Financial assets at amortised cost - Interbank debt securities	(18)	23	5		1	1
Financial assets at amortised cost - Customer debt securities	(168)	257	89	(12)	190	178
Financial assets at fair value through OCI - Customer loans and advances	(2)	3	0	(2)	2	0
Financial assets at fair value through OCI -Debt securities	(1)	5	4	(9)	13	4
Off-balance sheet commitments	(2)	6	5	(1)	2	1
TOTAL	**(209)**	**372**	**163**	**(94)**	**261**	**167**

Stage 3	2018				
(in EUR million)	Additions	Recoveries	Losses	Collections	Total
Financial assets at amortised cost - Customer loans and advances	(36)	17	(20)		(39)
Financial assets at amortised cost - Customer debt securities	(87)	61			(26)
Financial assets at fair value through OCI - Customer loans and advances		1			1
Financial assets at fair value through OCI -Debt securities				23	23
Other accounts receivable	(3)				(3)
TOTAL	**(126)**	**79**	**(20)**	**23**	**(44)**

Stage 3	2019				
(in EUR million)	Additions	Recoveries	Losses	Collections	Total
Financial assets at amortised cost - Customer loans and advances	(5)	48	(53)	17	7
Financial assets at amortised cost - Customer debt securities	(3)	91	(27)		61
Financial assets at fair value through OCI - Customer loans and advances		30			30
Other accounts receivable	(1)				(1)
TOTAL	**(9)**	**169**	**(80)**	**17**	**97**

5.11. Net gains (losses) on other assets

Nil in 2019.
In 2018, the item amounted to EUR 8 million, due to a gain of EUR 8 million on the sale of Dexia Israël.

5.12. Income tax

Detail of tax expense (in EUR million)	2018	2019
Income tax on current year	4	(3)
Deferred taxes on current year	(37)	13
TAX ON CURRENT YEAR RESULT (A)	**(33)**	**9**
Income tax on previous year	(2)	(35)
Deferred taxes on previous year	(5)	0
Provision for tax litigations (1)	0	59
OTHER TAX EXPENSE (B)	**(7)**	**24**
TOTAL (A) + (B)	**(40)**	**33**

(1) In 2019, includes the reversal of the provision on the tax audit for the year 2013 in Dexia Credit Local.

Effective corporate income tax charge

The standard tax rate applicable in Belgium was 29.58% in 2018 and 2019.

Dexia's effective tax rate was -6.93% in 2018 and 1.07% in 2019.

The difference between the standard and the effective tax rate can be analysed as follow:

(in EUR million)	2018	2019
Net income before tax	**(482)**	**(860)**
Tax base	**(482)**	**(860)**
Statutory tax rate	29.58%	29.58%
Theoretical corporate income tax at the standard rate	**143**	**254**
Impact of differences between foreign tax rates and the standard Belgian tax rate	9	(40)
Tax effect of non-deductible expenses	(82)	(100)
Tax effect of non-taxable income	92	62
Impact of items taxed at a reduced rate	(4)	(16)
Other additional taxes or tax savings (1)	(74)	(17)
Tax effect from reassessment of unrecognised deferred tax assets	(117)	(134)
Tax on current year	**(33)**	**9**
Effective tax rate	**(6.93%)**	**1.07%**

(1) In 2018, includes an amount of EUR -59 million related to the differences in tax and accounting values arising on intra group asset transfers.

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6. Note on off-balance sheet items

6.1. Regular way trade

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale	31/12/2019
Liabilities to be received	102	27	1,301

6.2. Guarantees

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale	31/12/2019
Guarantees given to credit institutions	340		308
Guarantees given to customers	545	12	471
Guarantees received from credit institutions	328		105
Guarantees received from customers	3,072		2,707
Guarantees received from the States	65,493		60,530

6.3. Loan commitments

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale	31/12/2019
Unused lines granted to credit institutions	9		9
Unused lines granted to customers	784		624
Unused lines granted from credit institutions	4,747		5,676
Unused lines granted from customers	778		756

6.4. Other commitments

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale	31/12/2019
Financial instruments given as collateral and other commitments given	49,399	27	35,228
Financial instruments received as collateral other commitments received	11,313		8,533

7. Note on risk exposure

(some amounts may not add up due to rounding differences)

7.0. Risk exposure and hedging strategy

We refer to chapter Risk Management of Management Report, pages 17 to 27

7.1. Fair value

a. Fair value measurement and fair value hierarchy of financial instruments

We refer to note 1.1 Accounting policies and valuation methods, paragraph 1.1.7.Fair value of financial instruments

b. Fair value

The following tables compare the fair value with the carrying amount of financial instruments not measured at fair value.

	31/12/2018			31/12/2018		
	Continuing operations			Activities held for sale		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	9,269	9,269	0	234	234	0
Financial assets at amortised cost - Debt securities	45,502	38,719	(6,783)	2,789	2,736	(53)
Financial assets at amortised cost - Interbank loans and advances	23,665	23,824	159	2,354	2,366	12
Financial assets at amortised cost - Customer loans and advances	35,158	30,443	(4,715)	14,723	15,414	691
Interbank borrowings and deposits	20,091	20,216	125	1,065	1,067	2
Customer borrowings and deposits	4,873	4,818	(55)	2,139	2,141	2
Debt securities	67,960	68,219	259	16,614	16,706	92
Subordinated debt	126	125	(1)			

	31/12/2019		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	9,844	9,844	0
Financial assets at amortised cost-Debt securities	36,301	31,949	(4,352)
Financial assets at amortised cost - Interbank loans and advances	23,087	23,009	(78)
Financial assets at amortised cost - Customer loans and advances	31,785	28,422	(3,363)
Interbank borrowings and deposits	11,778	11,788	11
Customer borrowings and deposits	3,851	3,852	1
Debt securities	62,728	63,335	608
Subordinated debt	20	20	0

c. Methods used to determine the fair value of financial instruments

The following tables provide an analysis of the fair value of financial assets and financial liabilities, based on the degree to which the fair value is observable (Level 1 to 3). The fair value measurement is recurring for financial instruments at fair value. The non-recurring fair value measurement is not significant for Dexia.

Fair value of financial assets

	31/12/2018			
(in EUR million)	Level 1	Level 2	Level 3	**Total**
Cash and central banks	0	9,269	0	9,269
Financial assets held for trading	0	6,386	3,772	10,158
** Derivatives*	*0*	*6,386*	*3,772*	*10,158*
Financial assets mandatorily at FVTPL	113	2,688	462	3,263
** Debt securities*	*28*	*30*	*194*	*252*
** Loans and advances*	*0*	*2,658*	*236*	*2,894*
** Equity instruments*	*85*	*0*	*32*	*117*
Hedging derivatives	0	962	301	1,263
Financial assets at fair value through OCI	1,975	2,866	76	4,916
** Debt securities*	*1,969*	*2,111*	*62*	*4,142*
** Loand and advances*	*0*	*727*	*9*	*736*
** Equity instruments designated at FVOCI*	*6*	*28*	*5*	*39*
Financial assets at amortised cost - Debt securities	21,528	15,674	1,517	38,719
Financial assets at amortised cost - Interbank loans and advances	550	21,583	1,691	23,824
Financial assets at amortised cost - Customer loans and advances	0	22,623	7,820	30,443
Financial assets included in non current assets held for sale	1,611	18,691	4,457	24,758
TOTAL	**25,777**	**100,741**	**20,096**	**146,614**

Detail financial assets included in non current assets held for sale

	31/12/2018			
(in EUR million)	Level 1	Level 2	Level 3	**Total**
Cash and central banks	0	234	0	234
Financial assets held for trading	0	195	0	195
** Derivatives*	*0*	*195*	*0*	*195*
Financial assets mandatorily at FVTPL	32	438	61	531
** Debt securities*	*32*	*134*	*45*	*211*
** Loans and advances*	*0*	*304*	*17*	*320*
Hedging derivatives	0	2,914	245	3,159
Financial assets at fair value through OCI	0	0	122	122
** Loand and advances*	*0*	*0*	*122*	*122*
Financial assets at amortised cost - Debt securities	1,579	1,150	8	2,736
Financial assets at amortised cost - Interbank loans and advances	0	0	2,366	2,366
Financial assets at amortised cost - Customer loans and advances	0	13,760	1,655	15,414
TOTAL	**1,611**	**18,691**	**4,457**	**24,758**

Fair value of financial liabilities

	31/12/2018			
(in EUR million)	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit and loss	0	7,441	4,431	11,872
Financial liabilities designated at fair value	*0*	*1,065*	*0*	*1,066*
Trading derivatives	*0*	*6,376*	*4,431*	*10,807*
Hedging derivatives	0	10,587	10,564	21,151
Interbank borrowings and deposits	255	7,674	12,286	20,216
Customer borrowings and deposits	0	3,807	1,011	4,818
Debt securities	0	53,573	14,645	68,219
Subordinated debt	0	0	125	125
Financial liabilities included in disposal groups held for sale	0	3,432	20,709	24,141
TOTAL	**256**	**86,515**	**63,771**	**150,541**

Detail of fair value of financial liabilities included in disposal groups held for sale

(in EUR million)	31/12/2018 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss	0	378	147	524
Trading derivatives	*0*	*378*	*147*	*524*
Hedging derivatives	0	3,054	649	3,703
Interbank borrowings and deposits	0	0	1,067	1,067
Customer borrowings and deposits	0	0	2,141	2,141
Debt securities	0	0	16,706	16,706
TOTAL	**0**	**3,432**	**20,709**	**24,141**

Fair value of financial assets

(in EUR million)	31/12/2019 Level 1	Level 2	Level 3	Total
Cash and central banks	0	9,844	0	9,844
Financial assets at fair value through profit and loss	0	9,306	1,874	11,181
** Derivatives*	*0*	*9,306*	*1,874*	*11,181*
Financial assets mandatorily at FVTPL	125	1,757	1,185	3,066
** Debt securities*	93	*415*	*232*	*740*
** Loans and advances*	0	*1,328*	*936*	*2,264*
** Equity instruments*	31	*14*	*17*	*62*
Hedging derivatives	0	1,235	144	1,378
Financial assets at fair value through OCI	420	1,579	838	2,837
** Debt securities*	*412*	*690*	*546*	*1,648*
** Loand and advances*	*0*	*863*	*287*	*1,150*
** Equity instruments designated at FVOCI*	*8*	*27*	*5*	*39*
Financial assets at amortised cost - Debt securities	21,835	9,256	858	31,949
Financial assets at amortised cost - Interbank loans and advances	0	22,005	1,003	23,009
Financial assets at amortised cost - Customer loans and advances	0	15,072	13,350	28,422
TOTAL	**22,379**	**70,054**	**19,253**	**111,686**

Fair value of financial liabilities

(in EUR million)	31/12/2019 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss	0	12,544	2,235	14,780
Financial liabilities designated at fair value	*0*	*1,145*	*0*	*1,146*
Trading derivatives	*0*	*11,399*	*2,235*	*13,634*
Hedging derivatives	0	9,452	9,732	19,184
Interbank borrowings and deposits	0	5,071	6,718	11,788
Customer borrowings and deposits	0	2,620	1,233	3,852
Debt securities	96	47,263	15,976	63,335
Subordinated debt	0	0	20	20
TOTAL	**97**	**76,950**	**35,914**	**112,960**

d. Transfer between level 1 and level 2

The tables hereunder present the amounts of financial instruments at fair value, for which fair value measurement is recurring, still in the books at the end of the period and for which the methodology of valuation has been changed between level 1 and level 2.

(in EUR million)	31/12/2019 From 1 to 2	From 2 to 1
Financial assets at fair value through OCI - bonds	0	56
TOTAL FINANCIAL ASSETS	**0**	**56**
TOTAL FINANCIAL LIABILITIES	**0**	**0**

The amounts of transfers between levels are the amounts of fair value of financial instruments at the closing date.

There were no transfers between level 1 and level 2 as at 31 December 2018.

e. Level 3 reconciliation

(in EUR million)	2018										
	Opening balance	Transfers in non current assets held for sale	Total gains/losses in P&L	Unrealised or deferred gains/losses	Purchase	Sale	Settlement	Transfer into level 3	Transfer out of level 3	Other movements(1)	Closing
Non-trading financial assets mandatorily at fair value through profit or loss											
Debt securities	*662*	*(343)*	*(46)*				*(24)*		*(58)*	*2*	*194*
Loans and advances	*1,174*	*(366)*	*(33)*				*(388)*		*(149)*		*236*
Equity instruments	*67*		*(4)*				*(32)*			*2*	*32*
Trading derivatives	3,422		87					229		33	3,772
Hedging derivatives	850	(317)	(67)	(18)				36	(186)	3	301
Financial assets at fair value through other comprehensive income											
Debt securities	*5,821*		*(3)*			*(1,593)*	*(15)*		*(4,266)*	*118*	*62*
Loand and advances	*139*	*(133)*					*(2)*	*5*			*9*
Equity instruments	*6*									*(1)*	*5*
Financial assets at fair value included in non current assets held for sale	0	1,159	(91)				(32)		(608)		428
TOTAL FINANCIAL ASSETS	**12,141**	**(0)**	**(156)**	**(18)**	**0**	**(1,593)**	**(493)**	**270**	**(5,267)**	**156**	**5,039**
Derivatives held for trading	4,342	(199)	(202)		5			462	(12)	36	4,431
Hedging derivatives	12,099	(636)	(1,110)	(94)				200		104	10,564
Financial liabilities at fair value included in disposal groups held for sale	0	835	118	2					(160)		795
TOTAL FINANCIAL LIABILITIES	**16,441**	**0**	**(1,194)**	**(92)**	**5**	**0**	**0**	**662**	**(172)**	**140**	**15,790**

(1) Other movements include notably exchange differences for companies in euro and translation differences for companies in foreign currencies. On the assets side, they amount to EUR + 101 million in result and to EUR + 57 million recognised in Unrealised or deferred gains and losses through equity. On the liabilities side, they amount to EUR+ 142 million recognised in result.

The amounts of transfers to level 3 or out of level 3 are the amounts of fair value at the closing date.

(in EUR million)	2019										
	Opening balance	**Total gains/ losses in P&L**	**Unrealised or deferred gains/ losses**	**Purchase**	**Sale**	**Settlement**	**Transfer into level 3 (1)(2)**	**Transfer out of level 3 (2)**	**Other movements (3)**	**Changes in scope of consolidation (4)**	**Closing**
Non-trading financial assets mandatorily at fair value through profit or loss											
Debt securities	*194*	*(37)*				*(1)*			*76*		*232*
Loans and advances	*236*	*(25)*				*(18)*	*572*		*170*		*936*
Equity instruments	32	(11)				(3)			(0)		17
Trading derivatives	3,772	(1,471)						(319)	(108)		1,874
Hedging derivatives	301	(110)	(20)				11	(37)	(2)		144
Financial assets at fair value through other comprehensive income											
Debt securities	*62*	*(68)*	*3*						*549*		*546*
Loand and advances	*9*	*2*	*(10)*			*(5)*			*292*		*287*
Equity instruments	*5*										*5*
Financial assets at fair value included in non current assets held for sale	428									(428)	0
TOTAL FINANCIAL ASSETS	**5,039**	**(1,720)**	**(28)**	**0**	**0**	**(28)**	**583**	**(356)**	**978**	**(428)**	**4,041**
Derivatives held for trading	4,431	(1,634)						(573)	11		2,235
Hedging derivatives	10,564	379	(421)				434	(1,366)	142		9,732
Financial liabilities at fair value included in disposal groups held for sale	795									(795)	0
TOTAL FINANCIAL LIABILITIES	**15,790**	**(1,255)**	**(421)**	**0**	**0**	**0**	**434**	**(1,939)**	**152**	**(795)**	**11,967**

(1) Transfers to level 3 of loans result from changes in the score decision tree parameter: input spreads.
(2) Following the implementation of a new methodology for allocating IFRS levels, a large proportion of derivatives have been reclassified between level 2 and level 3.
(3) Other changes include the transfer of assets from New York to DCL Paris, which were previously recorded at amortized cost. They also include foreign exchange differences for euro-denominated companies and translation adjustments for foreign currency companies. On the asset side, they amount to EUR -107 million recognized in income and EUR +1 million recognized in Gains and losses recognized directly in equity. On the liabilities side, they amount to EUR +152 million recognized in the income statement.
(4) Disposal of Dexia Kommunalbank Deutschland

The amounts of transfers to level 3 or out of level 3 are the amounts of fair value at the closing date.

f. Sensitivity of the fair value of level 3 financial instruments to reasonably possible alternative assumptions

Dexia measures the fair value of the level 3 financial instruments using some unobservable inputs. As this unobservable character injects a certain degree of uncertainty into the valuation, an analysis of the fair value sensitivity of Level 3 instruments to alternative assumptions was performed as at 31 December 2019. The sensitivity analysis has been conducted using reasonably possible inputs or applying assumptions in line with the valuation adjustment policies for the financial instruments in question.

The tables hereunder summarizes the financial assets and liabilities classified as Level 3 for which alternative assumptions in one or more unobservable inputs would lead to a significant variation in fair value.

(in EUR million)		31/12/2018			
Financial instruments	Non observable inputs	Alternative assumptions		Impacts on fair value measurement	
		Worst case	Best case	Worst case	Best case
Bonds	Credit spread	+ / - one standard deviation		(2.3)	2.3
Loans	Credit spread	345 bps	0 bps	(18.6)	14.8
CDS	Credit spread	+ / – one standard deviation		(17.8)	16.8
Derivatives	Interest Rate	+ / – one standard deviation		(19.8)	19.8
	Spread of CBS	+ / – one standard deviation		(10.9)	10.9
	Inflation	+ / – one standard deviation		(3.4)	3.4
TOTAL				**(72.9)**	**68.0**

(in EUR million)		31/12/2019			
Financial instruments	Non observable inputs	Alternative assumptions		Impacts on fair value measurement	
		Worst case	Best case	Worst case	Best case
Bonds	Credit spread	+ / – one standard deviation		(7.2)	7.2
Loans	Credit spread	280 bps	0 bps	(93.9)	50.7
CDS	Credit spread	+ / – one standard deviation		(17.9)	17.0
Derivatives	Interest Rate	+ / – one standard deviation		(9.6)	9.6
	Spread of CBS	+ / – one standard deviation		(3.6)	3.6
	Inflation	+ / – one standard deviation		(1.2)	1.2
TOTAL				**(133.5)**	**89.3**

The unobservable input in the valuation of bonds and credit derivatives (CDS) classified in level 3 is the credit spread. The alternative assumptions used to measure the fair value sensitivity of those financial instruments are based on the dispersion of the spreads used for their valorization, and consist of applying a shock of +/- one standard deviation to the credit spreads. The sensitivity of the bonds' fair value is estimated range from EUR -7.2 million (reflecting a deterioration in the above-mentioned inputs) to EUR +7.2 million (reflecting an improvement in the above-mentioned inputs), while the sensitivity of the CDS' fair value is estimated range from EUR -17.9 million EUR in the adverse scenario to EUR +17 million in the favorable scenario.

For the loans classified in level 3, the alternative assumptions consist in using the minimum and maximum spreads observed when valuating similar assets by Dexia. The impact of those alternative assumptions is estimated to EUR – 93.9 million for the worst case scenario to EUR + 50.7 million for the best case scenario.

For level 3 derivatives, the unobservable market inputs are mainly the interest rate, the inflation and the currency basis spreads (CBS). The alternative assumptions used by Dexia are based on the dispersion of available market data by risk factor and pillar. The sensitivity of each derivative is then determined for a variation of +/- one standard deviation in these inputs. The total impact on the fair value is estimated range between EUR – 14.4 million for the worst case scenario and EUR + 14.4 million for the best case scenario.

g. Difference between transaction prices and modelled values (deferred day one profit)

No amount was booked as deferred DOP.

7.2. Credit risk exposure

The Exposure at Default (EAD) is one of the parameters used to calculate capital requirements under the Regulation (EU) No 575/2013.

It corresponds to the best estimate of credit risk exposure at default and the definition varies depending on the approach adopted in calculating capital requirements. The Dexia Group uses both the standard and the advanced approach to calculating its risk-weighted assets.

- For financial assets measured at amortised cost, the EAD of a credit exposure on the balance sheet corresponds to the book value, gross of impairments, taking account of accrued interest and the impact of hedge accounting;
- For financial assets measured at fair value, the EAD of a credit exposure on the balance sheet corresponds to the carrying amount before impairments;
- For derivatives, the EAD is calculated using the mark-to-market valuation method under Article 274 of the Regulation (EU) No 575/2013 and includes the replacement cost as well as the amount representing future potential exposure, obtained by the product of the notional amount and a coefficient depending on the type of derivative and its residual term;
- For off-balance-sheet commitments, the EAD represents the product of the (nominal) amounts of commitments and a Credit Conversion Factor (CCF). The Dexia Group applies the standard method (Article 111 of the Regulation (EU) No 575/2013) to determine credit conversion factors, except for project finance transactions (advanced approach).

In addition, as information relating to credit risk only concerns financial instruments generating credit risk exposure, the Dexia Group has decided to exclude from the scope of this report the other assets, mainly accruals and other assets.

As at 31 December 2019, the credit risk exposure amounted to EUR 88 billion.

a. Concentration by credit risk

Concentration by geographic region

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale (DKD)	31/12/2019
France	22,216	54	17,730
Italy	21,046	837	19,478
Great Britain	21,061	53	21,404
Germany	1,909	14,805	1,058
United States	14,865	152	8,881
Spain	7,393	28	5,418
Japon	5,469	0	3,804
Portugal	4,187	235	4,050
Other European countries (2)	745	1,431	1,628
Canada	1,882	0	1,182
Central and Eastern Europe (3)	901	1,014	905
Switzerland	353	0	146
South and Central America	345	0	164
Scandinavian countries	198	20	81
Southeast Asia	202	0	121
Other (1)	1,974	267	1,857
TOTAL	**104,747**	**18,896**	**87,907**

(1) Includes supranational entities
(2) Includes Belgium, the Netherlands, Luxembourg, Greece and Ireland.
(3) Includes Hungary and Austria

Concentration by sector of the counterparty

(in EUR million)	31/12/2018 Continuing operations	31/12/2018 Activities held for sale (DKD)	31/12/2019
Central governments	25,416	1,666	25,871
Local public sector (1)	49,153	16,651	37,809
Financial institutions	9,849	557	6,852
Corporates	5,732	0	5,286
Monoline	1,488	0	1,349
ABS/MBS	2,822	9	1,410
Project finance	10,286	14	9,329
Individuals, SME, self-employed	1	0	1
TOTAL	**104,747**	**18,896**	**87,907**

(1) As at 31/12/2018, this category includes, for continuing operations : EUR 1 million on Greece, EUR 1 million on Hungary, EUR 8,993 million on Italy, EUR 1,357 million on Portugal and EUR 4,145 million on Spain and as at 31/12/2019, this category includes : EUR 1 million on Hungary, EUR 8,612 million on Italy, EUR 1,006 million on Portugal and EUR 3,584 million on Spain

Exposure at Default (EAD) by credit rating grades

The tables below show the exposure in case of default of financial assets subject to an ECL impairment model introduced by IFRS 9 (see 1.1.6.2.5 Impairment on financial assets).

The exposures are classified depending of the evolution of credit risk since initial recognition: exposures without significant deterioration in credit quality since initial recognition are allocated in Stage 1, exposures with significant deterioration in credit quality since initial recognition but that do not have objective evidence of a credit loss are allocated in Stage 2 and defaulted exposures are allocated in stage 3.

EAD	31/12/2018 - continuing operations											
(in EUR million)	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
	Stage 1	Stage 2(1)	Stage 3(1)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	9,989	38		12,298	2,765			134				
Local public sector	13,539	80	2	17,281	6,366	43	47	7,181	646	34	202	2
Financial institutions	334			4,300	131		8					
Corporates				5,341	149	1	12	20	5	15		
Monolines				721	715	53						
ABS/MBS	2,150	189		206	105	51	52		20	43		
Project finance	12			6,238	586		87	1,333	504			
Individuals, sme, self-employed									1			

(1) the rating takes into account the effects of credit risk mitigations. Exposures (EAD) in stage 2 or stage 3 may have rating grades AAA to AA-, due to the effect of the guarantees.

EAD (in EUR million)	31/12/2018 - activities held for sale											
	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
	Stage 1	Stage 2(1)	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	542	75		865	60							
Local public sector	15,245	373		499	50			125			4	
Financial institutions	157			37	99							
ABS/MBS	9											
Project finance					14							

(1) the rating takes into account the effects of credit risk mitigations. Exposures (EAD) in stage 2 may have rating grades AAA to AA-, due to the effect of the guarantees.

EAD	31/12/2019											
(in EUR million)	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
	Stage 1	Stage 2(1)	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	11,112	54		13,958	469			135				
Local public sector	7,077	853		15,656	5,885	39	142	4,504	121	10	98	2
Financial institutions	273			3,063	125		1					
Corporates				4,981	25	4		24	4	14		
Monolines				1,084	223	42						
ABS/MBS	1,304			1			40	16		35	11	
Project finance	21	11		5,635	568		61	1,178	332			
Individuals, sme, self-employed									1			

(1) the rating takes into account the effects of credit risk mitigations. Exposures (EAD) in stage 2 may have rating grades AAA to AA-, due to the effect of the guarantees.

Purchased or originated credit impaired debt instruments - continuing operations

	31/12/2018		31/12/2019	
(in EUR million)	AAA to AA-	Non investment grade	AAA to AA-	Non investment grade
Local public sector	23	62	22	60

b. Maximum credit risk exposure (EAD) by class of financial instruments

(in EUR million)	31/12/2018						31/12/2019		
	Continuing operations			Activities held for sale					
	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure
Non trading financial assets mandatorily at FVTPL	3,161		3,161	531		531	3,017		3,017
Trading derivatives	5,520	1,673	3,847	89	60	29	5,822	2,804	3,018
Hedging derivatives	667	158	509	1,337	1,176	161	746	164	582
Financial assets at fair value through OCI (excluding equity instruments)	4,881		4,881	122		122	2,811		2,811
Financial assets at amortised cost	89,384	1,027	88,357	17,993		17,993	76,910	1,108	75,802
Loans commitments granted	550		550				437		437
Guarantee commitments granted	22,645	19,202	3,443	59		59	11,835	9,595	2,240
TOTAL	**126,807**	**22,060**	**104,747**	**20,132**	**1,235**	**18,896**	**101,578**	**13,671**	**87,907**

Dexia holds financial collaterals composed of cash collaterals and term deposits, and to a lesser extent, of investment grade bonds (mainly AAA- AA sovereign or banking issuers). The quality of collaterals remained unchanged in 2019.
Only financial collaterals eligible under Basel and directly held by Dexia are considered.
Credit risk exposure is presented gross of specific impairment. The amount of specific impairment by class of financial instruments is pressented in the note 2.12 *Quality of financial assets*

c. Forbearance

Regarding Dexia activities, restructured loans include 3 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 both under normal relationship or under litigations.

In accordance wih the EBA's definition of Forbearance, only the 3rd case is considered as forborne loan in the context of this analysis. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

As at 31 december 2019, total restructured loans related to financial difficulties of debtors was EUR 333 million against EUR 614 million (of which 50 million for DKD) as at 31 december 2018.
The decrease is the result of the sale of some exposures and of the exit from forborne status.

d. Collateral and other credit enhancements obtained by taking possession of collateral during the period

There are no assets of this type in 2019 nor in 2018.

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e. Reconciliation of loss allowance amount variation

	2018						
(in EUR million)	As at 1 Jan.	Transfers in non current assets held for sale	Transfers between stages [3]	Decreases due to derecognition	Changes due to change in credit risk [1] [3]	Other adjustments [2]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**10**	**(1)**			**(4)**		**5**
Financial assets at amortised cost	**7**	**(1)**			**(2)**		**4**
- Interbank debt securities	2				(2)		0
- Customer debt securities	3						3
- Customer loans and advances	2	(1)					1
Financial assets at fair value through other comprehensive income	**3**				**(2)**		**1**
- Debt securities	3				(2)		1
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	**497**	**(32)**	**(8)**	**(1)**	**(149)**	**31**	**337**
Financial assets at amortised cost	**489**	**(32)**	**(8)**		**(146)**	**31**	**333**
- Interbank debt securities	24	(1)			(5)	1	19
- Customer debt securities	309	(28)	(3)		(86)	30	223
- Interbank loans and advances	2				(1)		2
- Customer loans and advances	153	(3)	(5)		(55)		90
Financial assets at fair value through other comprehensive income	**8**			**(1)**	**(3)**		**4**
- Debt securities	6				(3)		2
- Customer loans and advances	3			(1)			2
Allowances for credit-impaired debt instruments (Stage 3)	**233**		**9**	**(1)**	**38**	**13**	**292**
Financial assets at amortised cost	**230**		**9**	**(1)**	**36**	**7**	**281**
- Customer debt securities	64				26	3	93
- Customer loans and advances	165		9	(1)	10	3	187
Financial assets at fair value through other comprehensive income	**1**						**1**
- Customer loans and advances	1				(1)		1
Other accounts receivable	**1**				**3**	**6**	**10**
Allowances for purchased or originated credit impaired debt instruments	**13**				**(6)**		**7**
Financial assets at amortised cost	**13**				**(6)**		**7**
- Customer loans and advances	13				(6)		7
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**752**	**(33)**	**1**	**(1)**	**(120)**	**44**	**641**
Provisions on commitments and financial guarantees given							
- on commitments and financial guarantees given (Stage 2)	7				(4)		2
- on commitments and financial guarantees given (Stage 3)	6						6
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**13**				**(4)**		**8**

(1) During 2018, the depreciations on debt instruments in stage 2 decreased by EUR 149 million, notably thanks to the improvement of the credit rating of the Portugese sovereign (EUR 54 million) and also as a consequence of the transfer to stage 3 of some exposures on american local public sector (EUR 21 million). The depreciation on credit-impaired debt instruments increased by EUR 38 million. They include among others an allowance on the Chicago Board of Education (EUR 83 million) and reversal of allowances following the sale of the exposures related to the Commonwealth of Puerto Rico (EUR -37 million) and the redemption of debts associated with the Bulgarian railway sector (EUR -21 million).
(2) Other adjustments include notably the impact of changes in exchange rates during the year.
(3) Those amounts are reported in the statement of income

In 2018, there were no recoveries directly recognised in profit or loss nor charge-offs directly recognised in profit or loss.

(in EUR million)	2019					
	As at 1 Jan.	Transfers between stages [3]	Decreases due to derecognition	Changes due to change in credit risk [3]	Other adjustments [4]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**5**					**5**
Financial assets at amortised cost	**4**					**5**
- Customer debt securities	3			1		4
- Customer loans and advances	1			(1)		1
Financial assets at fair value through other comprehensive income	**1**					**0**
- Debt securities	1					0
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) [1]	**337**	**(130)**	**(1)**	**(35)**	**(12)**	**159**
Financial assets at amortised cost	**333**	**(131)**		**(31)**	**(24)**	**147**
- Interbank debt securities	19			(1)	1	19
- Customer debt securities	223	(153)		(25)	(13)	31
- Interbank loans and advances	2					2
- Customer loans and advances	90	22		(5)	(11)	95
Financial assets at fair value through other comprehensive income	**4**		**(1)**	**(4)**	**12**	**12**
- Debt securities	2		(1)	(3)	11	9
- Customer loans and advances	2				1	3
Allowances for credit-impaired debt instruments (Stage 3) [2]	**292**	**(4)**	**(17)**	**(138)**	**0**	**131**
Financial assets at amortised cost	**281**	**(4)**	**(17)**	**(109)**	**(30)**	**121**
- Customer debt securities	93			(88)	(2)	3
- Customer loans and advances	187	(4)	(17)	(20)	(27)	118
Financial assets at fair value through other comprehensive income	**1**			**(30)**	**29**	**0**
- Customer loans and advances	1			(30)	29	0
Other accounts receivable	**10**			**1**		**11**
Allowances for purchased or originated credit impaired debt instruments	**7**			**(1)**		**6**
Financial assets at amortised cost	**7**			**(1)**		**6**
- Customer loans and advances	7			(1)		6
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**641**	**(135)**	**(19)**	**(174)**	**(12)**	**302**

Provisions on commitments and financial guarantees given		
- on commitments and financial guarantees given (Stage 2)	2	2
- on commitments and financial guarantees given (Stage 3)	6	6
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**8**	**8**

(1) During 2019, the allowances on debt instruments in stage 2 decreased mainly following the reclassification of the Portuguese sovereign exposures from stage 2 to stage 1 after applying the revised methodology for identifying the SICR (Significant increase in credit risk) (EUR +164 million). This evolution is in line with the improvement of the external rating of the Portuguese sovereign. Following this same methodology, some of the exposures to the Italian public sector have been reclassified from stage 1 to stage 2 (EUR -13 million).
(2) The decrease of allowances in stage 3 is mainly due to the write-back of provisions amounting to EUR 93 million following the sale of impaired exposures, in particular on the Chicago Board of Education.
(3) Those amounts are reported in the statement of income
(4) This category includes the exchange rate differences, as well as the impacts of the reclassification of a EUR 6.54 billion portfolio of financial assets of the Dexia Credit Local branch in New York from Amortized cost to Fair value through other comprehensive income (EUR 1.24 billion) and to Fair value through profit or loss (EUR 5.29 billion). In the first case, the total impact is nil : the impairments are reclassified from Amortized cost to Fair value through other comprehensive income. In the second case, the total impact is a decrease in impairments of EUR 18 million, including EUR 11 million on loans (outstanding reclassified of EUR 0.35 billion) and EUR 7 million on securities (outstandings reclassified from EUR 4.94 billion).

In 2019, there were no recoveries directly recognised in profit or loss nor charge-offs directly recognised in profit or loss.

f. Purchased or originated credit impaired assets

	Undiscounted expected credit losses at initial recognition recognised during the period	
(in EUR million)	**2018**	**2019**
Financial assets at amortised cost	(13)	(13)

g. Reconciliation of gross carrying variation

	2018									
	As at 1 Jan.	Transfers in non current assets held for sale	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3		Other variations	As at 31 Dec.
(in EUR million)			To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3		
Amortised cost	**136,008**	**(22,640)**							**(8,430)**	**104,938**
- Debt securities	50,675	(3,008)							(1,827)	45,840
** stage 1 (1)*	*38,083*	*(2,581)*	*(688)*	*315*					*(1,652)*	*33,477*
** stage 2*	*12,409*	*(427)*	*688*	*(315)*	*(367)*				*(80)*	*11,908*
** stage 3*	*183*				*367*				*(95)*	*455*
- Interbank loans and advances	30,638	(3,739)							(3,227)	23,672
** stage 1 (2)*	*30,296*	*(3,702)*							*(3,121)*	*23,473*
** stage 2*	*342*	*(37)*							*(106)*	*199*
- Customer loans and advances	54,695	(15,893)							(3,376)	35,426
** stage 1 (3)*	*44,044*	*(15,120)*	*(179)*	*1,828*			*(27)*		*(2,835)*	*27,710*
** stage 2*	*9,877*	*(698)*	*179*	*(1,828)*	*(121)*				*(493)*	*6,917*
** stage 3*	*774*	*(75)*			*121*		*27*		*(47)*	*799*
FVOCI	**11 731**	**(133)**							**(6,714)**	**4,883**
- Debt securities	8,580								(4,436)	4,145
** stage 1 (4)*	*7,299*			*56*					*(3,881)*	*3,474*
** stage 2*	*1,277*			*(56)*					*(555)*	*666*
** stage 3*	*5*									*4*
- Customer loans and advances (5)	3,150	(133)							(2,278)	739
** stage 1*	*2,664*	*(133)*	*(16)*	*33*					*(2,142)*	*404*
** stage 2*	*483*		*16*	*(33)*					*(134)*	*333*
** stage 3*	*3*								*(1)*	*1*
Other accounts receivable	**99**	**(5)**							**(12)**	**81**
** stage 1*	*97*	*(5)*							*(21)*	*70*
** stage 2*	*1*									*1*
** stage 3*	*1*								*9*	*10*

(1) decrease by EUR 1,652 million partly due to the sale of Italian and US public sector securities
(2) decrease by EUR 3,121 million : decrease paid cash collateral (EUR 2,744 million)
(3) decrease by EUR 2,835 million among which an amount around EUR 500 million of French public sector loans included in the portfolio of receivables sold following a call for tenders from investors. These sales related to a total outstanding of EUR 1.1 billion for a total outstanding of 186 loans.
(4) decrease by EUR 3,881 million due to the sale of Spanish covered bonds, US student loans and of exposures related to the Japanese sovereign and local public sector.
(5) decrease by EUR 2,278 million mainly explained by the sale of social housing loans in France for an amount of EUR 796 million and by the sale of French public sector loans. An amount of around EUR 600 million of the total outstanding sold of EUR 1.1 billion is included here. Sales of Spanish local public loans are also included here.

The transfers are those as at 31 December 2018.

(in EUR million)	2019 As at 1 Jan.	Transfers between stage 1 and stage 2: To stage 2 from stage 1	Transfers between stage 1 and stage 2: To stage 1 from stage 2	Transfers between stage 2 and stage 3: To stage 3 from stage 2	Transfers between stage 2 and stage 3: To stage 2 from stage 3	Transfers between stage 1 and stage 3: To stage 3 from stage 1	Transfers between stage 1 and stage 3: To stage 1 from stage 3	Other variations	As at 31 Dec.
Amortised cost	**104,938**							**(13,487)**	**91,451**
-Debt securities [1]	45,840							(9,482)	36,357
** stage 1*	*33,477*	*(15)*	*3,468*					*(5,539)*	*31,391*
** stage 2*	*11,908*	*15*	*(3,468)*					*(3,533)*	*4,922*
** stage 3*	*455*							*(410)*	*45*
- Interbank loans and advances	23,672							(584)	23,088
** stage 1*	*23,473*	*(5)*						*(482)*	*22,987*
** stage 2*	*199*	*5*						*(102)*	*102*
- Customer loans and advances [2]	35,426							(3,421)	32,005
** stage 1*	*27,710*	*(1,935)*	*430*				*3*	*(2,528)*	*23,680*
** stage 2*	*6,917*	*1,935*	*(430)*		*7*			*(640)*	*7,789*
** stage 3*	*799*				*(7)*		*(3)*	*(253)*	*537*
FVOCI	**4,883**							**(2,073)**	**2,810**
- Debt securities [3]	4,145							(2,488)	1,657
** stage 1*	*3,474*							*(1,981)*	*1,493*
** stage 2*	*666*							*(503)*	*163*
** stage 3*	*4*							*(4)*	*0*
- Customer loans and advances	739							415	1,154
** stage 1*	*404*	*(65)*	*65*					*422*	*826*
** stage 2*	*333*	*65*	*(65)*	*(2)*	*3*			*(9)*	*325*
** stage 3*	*1*			*2*	*(3)*			*2*	*2*
Other accounts receivable	**81**							**1**	**82**
** stage 1*	*70*								*70*
** stage 2*	*1*							*1*	*2*
** stage 3*	*10*							*1*	*11*

(1) Decrease of EUR -9.48 billion, mainly due to the reclassification of a EUR 5.77 billion portfolio of securities at amortized cost of the Dexia Credit Local branch in New York to the portfolio at fair value through other comprehensive income (EUR 0.83 billion) and to the portfolio at fair value through profit or loss (EUR 4.94 billion), and due to significant sales made in respect of the proactive strategy of reduction of the balance sheet, including in particular the sale of EUR 1.1 billion of American securities in the second quarter, as well as, as part of the asset sales program approved by the Board of Directors on July 19, 2019, mainly EUR 1.1 billion of Japanese securities, EUR 0.53 billion of Italian sovereigns, and EUR 0.25 billion of Portugal securities.

(2) Decrease of EUR -3.42 billion, mainly due to the reclassification of a EUR 0.76 billion portfolio of loans at amortized cost of the Dexia Credit Local branch in New York to the portfolio at fair value through other comprehensive income (EUR 0.41 billion) and to the portfolio at fair value through profit or loss (EUR 0.35 billion), and due to significant sales made in respect of the proactive strategy of reduction of the balance sheet, including in particular EUR 0.79 billion relating to two French local public sector loans sales programs and GBP 0.71 billion in social housing loans in the UK.

(3) Decrease of EUR -2.49 billion of securities at fair value through other comprehensive income, due in particular to the sale of a portfolio of EUR 1.2 billion in American securities, mainly student loans, as well as the sale of EUR 0.36 billion in Japanese securities, and EUR 0.43 billion in Spanish cedulas.

The transfers are those as at 31 December 2019.

h. Credit risk on loans and advances designated at fair value through profit or loss

Dexia no longer holds loans and advances designated at fair value through profit or loss.

i. Modified assets

Nil.

j. Written-off assets that are still subject to enforcement activity

Nil.

7.3. Collateral

a. Nature of the assets received as collateral if this collateral can be sold or repledged

(in EUR million)	31/12/2018 - continuing operations		31/12/2019	
	Fair values of collateral held	Fair value of collateral sold or repledged	Fair values of collateral held	Fair value of collateral sold or repledged
Debt securities	2,483	1,381	1,463	1,463
TOTAL	**2,483**	**1,381**	**1,463**	**1,463**

Collateral is obtained in connection with the repurchase agreement activities.

b. Financial assets pledged as collateral for liabilities or contingent liabilities

(in EUR million)	31/12/2018 - continuing operations	31/12/2019
Carrying amount of financial assets pledged as collateral for liabilities	67,950	55,217

The amount of EUR 55 billion in 2019 and of EUR 68 billion in 2018 represents the amount of liquidity paid over as collateral for derivatives and assets pledged as collateral for funding received from the Eurosystem, the European Investment Bank, agreements for the temporary lending of stocks or other secured funding.

2018 : This amount includes neither the assets guaranteeing the covered bonds issued by Dexia Kommunalbank Deutschland (DKD) nor Dexia FP Holdings Inc.'s Guaranteed Investment Contracts (GICs). These assets are close to EUR 20.5 billion (of which EUR 19 billion for DKD accounted for in assets included in disposal groups held for sale).

2019: this amount does not include the amount of the Guaranteed Investment Contracts (GICs) (EUR 1,523 million).

7.4. Sensitivity to interest rate risk and other market risks

We also refer to the chapter Risk Management of the Management Report.

Market risk

Risk measurement

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

- Value at Risk (VaR) measures the expected potential loss for a 99% confidence interval and for a ten-day holding period. Dexia relies on a VaR parametric 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 positions, maturity, market and authorised products are put in place per type of activity. They guarantee consistency between global risk limits and the operational thresholds used by the 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 reviewed and updated. The consolidated stress test results and the corresponding analysis are presented to the Risk Committee on a quarterly basis.

Exposure to market risk

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;
- Basic 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.

Value at Risk (VaR)

Details of the VaR of the trading portfolios are shown in the table below. At the end of December 2019, total VaR consumption amounted to EUR 1 million compared to EUR 1.7 million at the end of 2018.

Value at Risk of trading portfolio

(in EUR million)

VaR (10 days, 99 %)	2018	2019
Average	1.5	1.4
End of period	1.7	1.0
Maximum	1.9	2.9
Minimum	1.2	0.8

Sensitivity of banking portfolios classified at fair value through equity to the evolution of credit spreads

The portfolio classified at fair value through equity consists of securities and loans and has a sensitivity to an increase in credit spreads of EUR -2.1 million as at 31 December 2019 compared to EUR -2.8 million as at 31 December 2018 (EUR -2.7 million excluding activities held for sale - DKD). Furthermore, the portfolio classified at fair value through profit and loss in view of its "non-SPPI" nature, also composed of securities and loans, presents a sensitivity to an increase of credit spreads of EUR -1.7 million as at 31 December 2019 against EUR -2.3 million as at 31 December 2018 (EUR -1.9 million excluding activities held for sale - DKD). The decrease in the sensitivity of the fair value of the portfolios results from the natural and accelerated reduction by sales of the portfolio.

Transformation risk

Dexia's asset and liability management (ALM) aims to reduce liquidity risk as far as possible, and to limit exposure to interest rate and foreign exchange risk.

Management of interest rate

Measurement of interest rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% shift on the yield curve. The main indicator used to determine limits and to measure and monitor risk is the sensitivity of the net present value of accrued interest positions to interest rate fluctuations.

The overall and partial sensitivities by time bucket are the main risk indicators used by the ALM Risk Committee, organised within the ALCO, to manage risk. The Dexia Group's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia's assets and liabilities after hedging for interest rate risk.

The sensitivity of long-term ALM was EUR -27.7 million at 31 December 2019 against EUR -14.1 million at 31 December 2018. This is in line with the ALM strategy, which seeks to minimize net interest margin volatility.

(in EUR million)	2018	2019
Sensitivity	(14.1)	(27.7)
Limit	+/-80	+/- 80

7.5. Liquidity risk

A. Analysis by term to maturity

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

a. Analysis of assets

	31/12/2018									
(in EUR million)	**Demand**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**	**Accrued interest**	**Fair value adjustment**	**Impairment**	**Total**
Cash and central banks	939	8,330	0	0	0	0	0			9,269
Financial assets at fair value through profit or loss	0	154	259	852	1,541	14	648	9,952		13,421
of which Trading derivatives							*619*	*9,539*		*10,158*
Hedging derivatives							222	1,040		1,263
Financial assets at fair value through OCI	0	298	264	688	3,248	0	44	381	(6)	4,916
Financial assets at amortised cost - Debt securities	12	56	608	3,446	30,267	0	370	11,081	(338)	45,502
Financial assets at amortised cost - Interbank loans and advances (1)	585	2	1,747	947	60	20,310	3	13	(2)	23,665
Financial assets at amortised cost - Customer loans and advances (1)	1	1,063	1,417	5,534	18,032	4,866	137	4,382	(273)	35,158
Fair value revaluation of portfolio hedge								748		748
Accruals and other assets	1	116	1	0	264	18	0		(10)	389
Continuing operations: Subtotal financial assets used to calculate the gap	*1,538*	*10,020*	*4,295*	*11,465*	*53,412*	*25,208*	*1,425*	*27,596*	*(629)*	*134,332*
Non-financial assets						97				97
TOTAL CONTINUING OPERATIONS	**1,538**	**10,020**	**4,295**	**11,465**	**53,412**	**25,306**	**1,425**	**27,596**	**(629)**	**134,429**
Non current assets held for sale used to calculate the gap - activities held for sale	98	273	471	1,846	12,149	2,112	546	6,879	(4)	24,371
Non-financial assets - activities held for sale						4				4
TOTAL	**1,636**	**10,293**	**4,767**	**13,311**	**65,562**	**27,422**	**1,971**	**34,476**	**(633)**	**158,804**

(1) Paid cash collaterals are declared in undetermined maturity

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2018 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Financial liabilities at fair value through profit and loss	0	3	37	11	794	0	572	10,455	11,872
of which Trading derivatives							*565*	*10,242*	*10,807*
Hedging derivatives							427	20,724	21,151
Interbank borrowings and deposits (1)	3,351	3,946	2,876	5,614	1,899	2,333	56	16	20,091
Customer borrowings and deposits	256	4,325	0	1	207	85	(1)	0	4,873
Debt securities	0	9,563	17,851	28,834	10,938	0	393	380	67,960
Fair value revaluation of portfolio hedge								13	13
Subordinated debts	0	106	*0*	0	19	0	0	0	126
Accruals and other liabilities	2	310	21	11	33	34	0		411
Continuing operations: Subtotal financial liabilities used to calculate the gap	*3,609*	*18,254*	20,785	*34,471*	*13,891*	*2,452*	*1,448*	*31,588*	*126,497*
Non-financial liabilities						411			411
TOTAL CONTINUING OPERATIONS	**3,609**	**18,254**	**20,785**	**34,471**	**13,891**	**2,863**	**1,448**	**31,588**	**126,908**
Liabilities included in disposal groups held for sale used to calculate the gap - activities held for sale	0	726	2,929	5,222	6,671	1,235	518	6,746	24,048
Non financial liabilities - activities held for sale						7			7
TOTAL	**3,609**	**18,979**	**23,714**	**39,693**	**20,562**	**4,106**	**1,966**	**38,333**	**150,963**

(1) Received cash collaterals are declared in undetermined maturity

Net liquidity gap as at 31/12/2018 (in EUR million)	**Demand**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Indetermined maturity**
Liquidity gap as at 31/12/2018 - continuing operations	(2,071)	(8,234)	(16,489)	(23,006)	39,521	22,756
Liquidity gap as at 31/12/2018 - activities held for sale	98	(453)	(2,458)	(3,376)	5,478	877
NET LIQUIDITY GAP AS AT 31/12/2018	(1,973)	(8,687)	(18,947)	(26,382)	44,999	23,633

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

a. Analysis of assets

(in EUR million)	31/12/2019 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	9,844	0	0	0	0	0	0			9,844
Financial assets at fair value through profit or loss	0	97	179	732	1,613	14	788	10,824		14,247
of which Trading derivatives							*756*	*10,425*		*11,181*
Hedging derivatives							234	1,144		1,378
Financial assets at fair value through OCI	0	364	77	254	2,064	0	15	74	(12)	2,837
Financial assets at amortised cost - Debt securities	1	122	663	2,578	22,447	0	265	10,282	(57)	36,301
Financial assets at amortised cost - Interbank loans and advances (1)	799	501	597	542	40	20,604	(7)	11	(2)	23,087
Financial assets at amortised cost - Customer loans and advances (1)	1	1,081	1,101	4,178	15,150	4,882	108	5,505	(220)	31,785
Fair value revaluation of portfolio hedge								576		576
Accruals and other assets	0	148	1	0	0	19	0		(11)	157
Subtotal financial assets used to calculate the gap	*10,646*	*2,313*	*2,618*	*8,285*	*41,313*	*25,519*				
Non-financial assets						114				114
TOTAL	**10,646**	**2,313**	**2,618**	**8,285**	**41,313**	**25,633**	**1,403**	**28,416**	**(302)**	**120,326**

(1) Paid cash collaterals are declared in underteminder maturity

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2019 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
Financial liabilities at fair value through profit and loss	0	3	0	36	805	0	661	13,274	14,780
of which Trading derivatives							*653*	*12,981*	*13,634*
Hedging derivatives							296	18,888	19,184
Interbank borrowings and deposits (1)	75	1,352	3,140	2,023	1,637	3,501	28	21	11,778
Customer borrowings and deposits (1)	230	2,671	572	0	233	145	(1)	0	3,851
Debt securities	0	12,085	12,445	30,047	6,979	0	329	843	62,728
Fair value revaluation of portfolio hedge								7	7
Subordinated debts	0	0	0	0	20	0	0	0	20
Accruals and other liabilities	1	276	17	11	28	3	0	0	336
Subtotal financial liabilities used to calculate the gap	*306*	*16,387*	*16,174*	*32,118*	*9,703*	*3,649*			
Non-financial liabilities						280			280
TOTAL	**306**	**16,387**	**16,174**	**32,118**	**9,703**	**3,929**	**1,313**	**33,034**	**112,964**

(1) Received cash collaterals are declared in undetermined maturity

Net liquidity gap as at 31/12/2019 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
NET LIQUIDITY GAP AS AT 31/12/2019	10,340	(14,074)	(13,556)	(23,833)	31,611	21,870

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some long-term assets may be sold in case of need of liquidity.

B. Steps taken to improve Dexia Group's liquidity

Steps taken to improve Dexia Group's liquidity are described in the Management Report, chapter "Information on capital and liquidity".

7.6. Currency risk

Dexia's foreign exchange risk exposure is generated by:
- Investments and divestments in subsidiaries and branches denominated in currencies other than the euro
- Retained earnings of entities in currencies other than the euro
- Imbalances between assets, liabilities and off-balance sheet items denominated in currencies other than the euro.

A large proportion of balance sheet items denominated in currencies other than the euro are micro-hedged from the outset by cross-currency swap (CIRS) derivatives. The residual exposure to foreign exchange risk is monitored by measuring the unfavorable evolution of the P&L associated with a change in exchange rates.
Current foreign exchange risk management focuses on the risk resulting from the conversion of the cumulative P&L and the net interest margin in foreign currencies. The main objective of ALM is to hedge an economic foreign exchange risk as soon as it is known. Under the current risk framework, limits on local currency positions are below an equivalent of EUR 1 million on each currency. In addition, there are no directional change of currency positions in the trading portfolio.

Even if economic foreign exchange positions are close to zero, capital ratios remain sensitive to exchange rate movements. In particular, a large proportion of the Group's risk-weighted assets are linked to non-EUR denominated assets (GBP 33%, USD 19%, JPY 8%). Thus, if the euro depreciates against other currencies, risk-weighted assets denominated in a currency other than the euro will weigh more heavily in relative terms according to the group's capital. For example, a 1% fall in the EUR against other currencies would lead to an increase in the prudential capital requirement of EUR 30 million, without any economic impact.

We also refer to Management Report, chapter Risk Management

Classification by original currency	31/12/2018						
(in EUR million)	EUR	GBP	Other EU currencies	U.S. dollars	JPY	Other currencies	Total
Total assets	97,454	20,506	11	35,161	3,421	2,251	158,804
Total liabilities and shareholders' equity	97,779	20,565	11	34,953	3,478	2,018	158,804
NET BALANCE SHEET POSITION	**(325)**	**(59)**	**0**	**208**	**(57)**	**234**	**0**

Classification by original currency	31/12/2019						
(in EUR million)	EUR	GBP	Other EU currencies	U.S. dollars	JPY	Other currencies	Total
Total assets	63,628	24,041		29,186	2,180	1,291	120,326
Total liabilities and shareholders' equity	63,523	24,063		29,035	2,516	1,188	120,326
NET BALANCE SHEET POSITION	**105**	**(22)**	**0**	**151**	**(336)**	**103**	**0**

7.7. Hedge accounting

Derivatives Held for Risk Management and Hedge Accounting
Dexia aims to minimize balance sheet mismatches between assets and liabilities in order to ensure the stability of its income, notably against interest rate risk and foreign currency risk.
Dexia has recourse to hedge accounting for specified financial assets or financial liabilities ("micro hedge") or for portfolios of fixed rate financial assets and portfolios of fixed rate financial liabilities ("macro hedge") which are exposed to a change in fair value due to movements in benchmark interest rates.
The fair value of fixed rate bonds (asset side) and issuances (liability side) are commonly hedged at inception using derivatives, documented as Fair Value Hedge (FVH).
The residual interest rate risk exposure is notably linked to portfolios composed of long-dated amortizing fixed rate loans of small notional amounts. It is managed from a macro-hedge perspective, through a natural hedge between fixed rate assets and liabilities, and using interest rate derivatives, documented as portfolio Fair Value Hedges under IAS 39 "carve-out" standard as adopted by the European Union ("European Portfolio Hedge", "EPH").

Dexia also hedges the benchmark interest rate risk of a part of its future floating rate issuances using interest rate derivatives, documented as Cash Flow Hedge (CFH).
The foreign currency exposure arising from foreign currency denominated financial assets or liabilities are micro hedged by Dexia using cross currency swaps documented as Cash Flow Hedges (CFH) of foreign currency risk.
Moreover, some Fair Value Through P&L (FVTPL) assets are economically hedged by derivatives which are classified as Held for trading derivatives under IFRS but included in the banking book for prudential reporting (economic hedge). These are mainly derivatives which are hedging non SPPI financial assets classified at FVTPL under IFRS 9 and are no longer eligible as hedging instruments contrary to the treatment based on the classification of these assets under IAS 39. The volatility related to the interest risk of these assets is offset by the change in the fair value of the economic hedging derivatives but the volatility related to other risks and particularly credit risk remains.
As permitted by the transitional provisions of IFRS 9, Dexia maintained the current hedge accounting requirements of IAS 39 for all its micro and macro-hedge relationships until the future standard on macro-hedging is entered into force.

(i) Fair Value Hedge of Interest Rate Risk

Dexia uses interest rate swaps or cross currency interest rate swaps to hedge its exposure to changes in the fair values of fixed rate liabilities (notes issued measured at amortised cost) and fixed rate or structured SPPI assets (mainly bonds measured at amortised cost or fair value through other comprehensive income) in respect of a benchmark (floating) interest rate. Floating/fixed interest rate swaps or floating/structured interest rate swaps are matched to balance sheet items so as to closely align with the critical terms of the hedged item.

Only the benchmark interest rate risk component is hedged using these derivatives in fair value hedge relationship. Other risks, such as credit risk, are managed but not hedged by Dexia. The interest rate risk component is determined as the change in fair value of the fixed rate balance sheet items arising solely from changes in benchmark interest rate curves. Such changes are usually the largest component of the overall change in fair value.

A derivative designated as a hedging instrument must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. The effectiveness of the hedge is verified by comparing changes in fair value of the hedged items attributable to changes in the hedged benchmark rate of interest with changes in the fair value of derivatives, with the expected ratio between the two changes ranging from 80% to 125%.

The non-effective portion of the hedging relationship recognised in "Net result of hedge accounting" (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss") is mainly related to the difference in the discounting between the hedged item and the hedging instrument, as interest rate swaps are discounted using Overnight Index swaps (OIS) discount curves, while balance sheet item discounting is based on the benchmark interest rate documented in fair value hedge.

Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are booked in the result of trading activities (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss").

(ii) Cash Flow Hedge of Interest Rate Risk and balance sheet items in foreign currencies

Dexia uses fixed/floating interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly Libor and Euribor), and cross currency swaps to hedge foreign currency risks (mainly US dollar and UK sterling) arising from its balance sheet items denominated in foreign currencies.

Cash Flow Hedge strategies are implemented:

– Either to transform non-EUR floating rate cash flows into EUR floating rate cash flows by the use of cross-currency swaps, so as to mitigate the existing Dexia's foreign currency exposure;

– Or to transform EUR floating rate cash flows into EUR fixed rate cash flows. Dexia hedges interest rate risk to the extent of benchmark interest rate exposure on its floating rate notes or its highly probable future floating rate issuances to mitigate variability in its cash flows.

Hedge accounting is applied where hedge relationships meet the hedge accounting criteria. Derivatives designated as hedging instruments must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. In addition, for cash flow hedges of its future floating rate issuances, Dexia demonstrates the highly probable nature of forecast cash flows.

(iii) Macro-hedging of Interest Rate Risk through European Portfolio Hedge (EPH)

Dexia applies fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities under IAS 39 "carve-out" standard as adopted by the European Union. The hedged risk corresponds to the exposure to changes in the fair value attributable to a benchmark interest rate risk, which is associated with a portfolio or an identified amount of a portfolio of financial assets or liabilities. Different categories of assets or liabilities and in particular loans or securities measured at amortised cost or fair value through other comprehensive income may be designated by Dexia as qualifying hedged items. Only vanilla interest rate swaps are used as hedging instruments.

Dexia demonstrates that a high degree of effectiveness exists both prospectively and retrospectively by periodically demonstrating that notional amounts on hedging derivatives and hedged items offset each other and no over-hedging situation exists.

As the exposure from the portfolio may change (for example due to a derecognition or modification of a hedged item or a hedging instrument), to avoid the situation of over-hedging, Dexia adjusts when needed the existing strategies by removing hedging instruments or by entering into new derivatives designated in EPH.

(iv) IBOR reform

Information on the reform for the replacement of the IBOR benchmark indices by alternative benchmark indices and on the impact of this reform on hedge accounting is presented in notes 1.1.1.2. Accounting estimates and judgments and 1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 2019.

a. Hedging derivatives by risk category for each type of hedge

1. Detail of derivatives designated as fair value hedges

	31/12/2018 - continuing operations				31/12/2019			
	Notional amount	Assets - carrying amount	Liabilities - carrying amount	Change in fair value used for calculating hedge ineffectiveness	Notional amount	Assets - carrying amount	Liabilities - carrying amount	Change in fair value used for calculating hedge ineffectiveness
(in EUR million)		Hedging derivatives	Hedging derivatives			Hedging derivatives	Hedging derivatives	
Interest rate derivatives	**73,522**	**917**	**18,808**	**1,313**	**60,212**	**973**	**15,106**	**(109)**
OTC options	34		4	1	23		3	1
OTC other	73,488	917	18,803	1,313	60,189	973	15,103	(110)
Rate and foreign exchange derivatives(*)	**6,412**	**66**	**758**	**(44)**	**6,058**	**223**	**2,739**	**0**
OTC other	6,412	66	758	(44)	6,058	223	2,739	0
TOTAL	**79,934**	**983**	**19,565**	**1,269**	**66,270**	**1,196**	**17,845**	**(109)**

(*) The "rate and foreign exchange derivatives" line includes cross-currency interest rate swaps designated as hedges of both interest rate risk in a fair value hedging relationship and foreign exchange risk in a cash flow hedging relationship. The carrying amount of these derivatives relating to the foreign exchange risk component is presented in the table "Details of instruments designated as cash flow hedges".

2. Detail of derivatives designated as cash flow hedges

	31/12/2018 - continuing operations				31/12/2019			
	Notional amount	Assets - carrying amount	Liabilities - carrying amount	Change in fair value used for calculating hedge ineffectiveness	Notional amount	Assets - carrying amount	Liabilities - carrying amount	Change in fair value used for calculating hedge ineffectiveness
(in EUR million)		Hedging derivatives	Hedging derivatives			Hedging derivatives	Hedging derivatives	
Interest rate derivatives	**1,099**	**15**	**225**	**51**	**877**	**13**	**217**	**128**
OTC other	1,099	15	225	51	877	13	217	128
Foreign exchange derivatives (*)	**873**	**190**	**353**	**68**	**1,022**	**94**	**346**	**17**
OTC other	873	190	353	68	1,022	94	346	17
TOTAL	**1,972**	**206**	**578**	**118**	**1,899**	**107**	**563**	**145**

(*) The line "Foreign exchange derivatives" includes the carrying amount relating to the foreign exchange risk component of Cross Currency Interest rate swaps. These derivatives are designated as hedges of both the interest rate risk in a fair value hedge relationship and the foreign exchange risk in a cash flow hedge relationship and are also presented on the line "Rate and foreign exchange derivatives" in the table "Details of instruments designated as fair value hedges".

(in EUR million)	31/12/2018	31/12/2019
Amount removed from equity and included in the carrying amount of a non-financial instrument (in case of a cash flow hedge on a highly probable transaction)	Nil	Nil

3. Detail of derivatives designated in portfolio hedge of interest rate risk

	31/12/2018 - continuing operations			31/12/2019		
	Notional amount	Assets - carrying amount	Liabilities - carrying amount	Notional amount	Assets - carrying amount	Liabilities - carrying amount
(in EUR million)		Hedging derivatives	Hedging derivatives		Hedging derivatives	Hedging derivatives
Portfolio fair value hedges of interest rate risk	**8,451**	**73**	**1,008**	**5,635**	**75**	**776**
TOTAL	**8,451**	**73**	**1,008**	**5,635**	**75**	**776**

4. Detail of derivatives designated as hedges of a net investment in a foreign entity

Nil.

b. Hedged items by risk category for each type of hedge

1. Fair value hedges

	31/12/2018 - continuing operations			
(in EUR million)	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/ liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Remaining adjustments for discontinued hedges
Financial assets at fair value through OCI	2,768	476	(509)	517
Interest rate risk	*2,768*	*476*	*(509)*	*517*
Financial assets at amortised cost - Debt securities	35,887	11,081	(280)	23
Interest rate risk	*35,870*	*11,079*	*(280)*	*23*
Foreign exchange risk	*18*	*2*		
Financial assets at amortised cost - Interbank loans and advances	111	13	(3)	
Interest rate risk	*111*	*13*	*(3)*	
Financial assets at amortised cost - Customer loans and advances	12,162	4,382	(590)	
Interest rate risk	*12,162*	*4,382*	*(590)*	
Debt securities	44,149	380	(21)	
Interest rate risk	*44,149*	*380*	*(21)*	
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**6,779**	**15,572**	**(1,361)**	**540**

(in EUR million)	31/12/2019			
	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/ liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Remaining adjustments for discontinued hedges
Financial assets at fair value through OCI	1,164	149	(353)	0
Interest rate risk	*1,164*	*149*	*(353)*	
Financial assets at amortised cost - Debt securities	30,720	10,282	(206)	0
Interest rate risk	*30,702*	*10,279*	*(207)*	
Foreign exchange risk	*18*	*3*	*1*	
Financial assets at amortised cost - Interbank loans and advances	95	11	(2)	0
Interest rate risk	*95*	*11*	*(2)*	
Financial assets at amortised cost - Customer loans and advances	12,856	5,505	753	0
Interest rate risk	*12,856*	*5,505*	*753*	
Interbank borrowings and deposits	233	21	(139)	0
Interest rate risk	*233*	*21*	*(139)*	
Debt securities	42,166	843	441	0
Interest rate risk	*42,166*	*843*	*441*	
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**2.436**	**15.083**	**(110)**	**0**

2. Cash flow hedges

(in EUR million)	31/12/2018 - continuing operations			31/12/2019		
	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve	Cash flow hedge reserve for discontinued hedges	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve	Cash flow hedge reserve for discontinued hedges
Financial assets at fair value through OCI	(43)	(2)		(15)	12	4
Foreign exchange risk	*(43)*	*(2)*		*(15)*	*12*	*4*
Financial assets at amortised cost - Debt securities	(4)	(140)		39	(179)	
Foreign exchange risk	*(4)*	*(140)*		*39*	*(179)*	
Financial assets at amortised cost - Interbank loans and advances	(3)	(112)	49	(49)	(65)	
Interest rate risk	*6*	*59*		*4*	*54*	
Foreign exchange risk	*(9)*	*(171)*	*49*	*(53)*	*(119)*	
Interbank borrowings and deposits	28	(150)		(47)	(198)	41
Interest rate risk	*19*	*(171)*		*(37)*	*(208)*	*41*
Foreign exchange risk	*9*	*21*		*(10)*	*10*	
Customer borrowings and deposits	36	(166)		169		
Interest rate risk	*36*	*(166)*		*169*		
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**(113)**			**(147)**		
TOTAL		**(572)**	**49**		**(429)**	**45**

3. Net investment hedge

Nil.

4. Portfolio fair value hedge of interest rate risk

(in EUR million)	31/12/2018 - continuing operations Carrying amount of the hedged item	31/12/2019 Carrying amount of the hedged item
Financial assets at fair value through OCI	590	178
Financial assets at amortised cost - Customer loans and advances	5,464	4,026
Debt securities	409	385

The amounts at 31/12/2018 have been revised

c. Profile of timing of the nominal amount of the hedging instrument and average prices or rates

1. Derivatives designated as fair value hedges

	31/12/2018 - continuing operations				31/12/2019			
	Maturity				Maturity			
(in EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interest rate derivatives								
* Notional amount (in EUR million)	3,927	4,986	25,904	38,705	5,582	4,013	27,679	22,937
* Average fixed interest rate	1.97%	0.65%	1.44%	3.47%	1.19%	2.55%	1.23%	3.12%
Interest rate and foreign exchange derivatives								
* Notional amount (in EUR million)	25		1,446	4,941	31		2,763	3,263
* Average EUR-USD exchange rate			1.2250	1.2591			1.1603	1.2398
* Average EUR-JPY exchange rate			108.7784	160.9227				
* Average USD-JPY exchange rate			110.6120	115.5224	105.999576		117.6471	116.9825
* Average USD-GBP exchange rate				0.5600				0.5599
* Average fixed interest rate	1.29%		2.64 %	3.29 %	2.50 %		2.11 %	3.27 %

2. Derivatives designated as cash flow hedges

	31/12/2018 - continuing operations			31/12/2019	
	Maturity			Maturity	
(in EUR million)	3 months to 1 year	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years
Interest rate derivatives					
* Notional amount (in EUR million)	84	145	870	171	706
* Average fixed interest rate	3.72%	1.78%	3.93%	2.91%	3.82%
Foreign exchange derivatives					
* Notional amount (in EUR million)	726		146	872	149
* Average EUR-GBP exchange rate	0.8006			0.8596	
* Average USD-GBP exchange rate			0.5079		0.5079

d. Impact of hedge accounting in the statement of comprehensive income

1. Fair value hedges

	31/12/2018		31/12/2019	
	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI
(in EUR million)	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Gains and losses directly recognised in equity of the balance shett	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Gains and losses directly recognised in equity of the balance shett
Interest rate risk	(48)		(220)	
Foreign exchange risk	(44)		1	
TOTAL	**(92)**		**(219)**	

2. Cash flow hedges

	31/12/2018			31/12/2019		
	Change in the value of the hedging instrument recognised in OCI	**Hedge ineffectiveness recognised in profit or loss**	**Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge**	**Change in the value of the hedging instrument recognised in OCI**	**Hedge ineffectiveness recognised in profit or loss**	**Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge**
(in EUR million)	**Gains and losses directly recognised in equity of the balance shett**	**Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income**	**Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income**	**Gains and losses directly recognised in equity of the balance shett**	**Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income**	**Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income**
Interest rate risk	48		3	128		
Foreign exchange risk	65		3	17		
TOTAL	**113**		**5**	**145**		

3. Net investment hedge

Nil

8. Segment and geographic reporting

a. Segment reporting

Having completed its commercial entity disposal programme at the beginning of 2014 as required under the resolution plan, Dexia is now focused on managing its residual assets in run-off, protecting the interests of the Group's State shareholders and guarantors. In line with the Group's profile and strategy, Dexia's performance is now shown at a consolidated level on the basis of a single division entitled "Management of activities in run-off", without specific allocation of funding and operating expenses by segment of activity.

b. Geographic reporting

(in EUR million)	Belgium	France	Spain	Ireland	Italy	United States	Others	Total
As at 31 December 2018								
NET BANKING INCOME	**(9)**	**(88)**	**17**	**(17)**	**(60)**	**(63)**	**(12)**	**(232)**
As at 31 December 2019								
NET BANKING INCOME (1)	**0**	**(130)**	**0**	**(140)**	**(96)**	**(371)**	**(9)**	**(746)**

(1) See note 1.3 "Significant items included in the statement of income".

Geographic reporting is done based on booking centers, being the country of the company having recorded the transaction and not the country of the counterparty at the transaction.
As a consequence, after the closure of the Madrid branch of Dexia Crédit local on March 29, 2019, there is no longer any net banking income represented in Spain.

Report of the board of auditors to the shareholders' meeting of Dexia SA for the year ended 31 December 2019 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Dexia SA ("the Company") and its subsidiaries (jointly "the Group"), we hereby submit our statutory audit report of the board of auditors. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 17 May 2017, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2019. Deloitte Réviseurs d'Entreprises / Bedrijfsrevisoren has performed the audit of the consolidated financial statements of Dexia SA for 12 consecutive periods. Mazars Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the consolidated financial statements of Dexia SA for 3 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 120 326 million EUR and the consolidated income statement shows a consolidated net loss (Group share) for the year then ended of 898 million EUR.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as of 31 December 2019 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "*Responsibilities of the board of auditors for the audit of the consolidated financial statements*" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 1 - The ability to continue as a going concern used for the preparation of the consolidated financial statements *(We refer to the note 1.1.1.1 and note 1.5.2. in the notes to the Consolidated Financial Statements)*	
The Group's ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on 28 December 2012. This plan, further reassessed by the Board of Directors of Dexia of 19 December 2019, is based, among others, on the following assumptions: • the macro-economic assumptions underlying the business plan are revised as part of the biannual reviews of the orderly resolution plan, which also include a review of the latest observable market data and a review of the latest accounting standards and regulatory developments. In its latest update, the business plan incorporates observable market data as at 30 June 2019, as well as the non-renewal, as from 1 January 2019, of the specific approach deployed by the European Central Bank for the supervision of the Dexia Group; • the business plan assumes the preservation of the banking license of the various entities composing the Group and of the credit rating of Dexia Credit Local; • the continuation of the resolution plan assumes that Dexia Group maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured borrowings; • the renewal of the guarantee by the Belgian and French States, as from the 1st of January 2022, in accordance with the approval of the European Commission, dated 27 September 2019; • finally, the Group is sensitive to the evolution of its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads, of which fluctuations are likely to impact significantly the business plan; The assessment of all the elements supporting the business plan must also be made in the particular context of the current health crisis linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe, as mentioned in the note 1.5.2. to the consolidated financial statements In summary, there are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of the Group's operations over the duration of the resolution. However, at this stage, these uncertainties do not call into question the fundamentals of the resolution, which justifies the preparation of the consolidated financial statements on a going concern basis, in accordance with IAS 1. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption used for the preparation of the consolidated financial statements as of 31 December 2019 as a key audit matter.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of the Dexia Group of the Group's ability to continue as a going concern over a period of twelve months starting at the closing date of the financial year, as prescribed by IAS 1 "*Presentation of Financial Statements*", as well as the elements used to justify the assessment and the underlying documentation: We have applied, amongst other, the following diligences prescribed by IAS 570 "*Going Concern*": • through discussion with management and based on the documentation made available to us, we have assessed the elements on which the 24 months-term liquidity projections were based by Dexia; • we have considered the main regulatory ratios as of 31 December 2019 (*Liquidity Coverage Ratio, Common Equity Tier 1*) in light of the requirements applicable at that date to the Dexia Group. • we have inquired of the Executive Committee and Board of Directors about the latest underlying assumptions to the revised business plan, based on end of June 2019 data and validated by the Board of Directors on 19 December 2019. As indicated in note 1.1.1.1, there are currently uncertainties surrounding the realization of this business plan which, in addition to the macro-economic factors, relate in particular to: – the conditions to access the facilities of the Eurosystem financing facilities after 2021;; – the existence of new accounting or prudential rules not known to date by the Management of Dexia Group; – the long-term organizational and legal structure of the Dexia Group; • we have considered the quarterly reports on the (i) funding strategy and (ii) operational continuity, prepared by Dexia Group as requested by the European Central Bank; • Concerning the health crisis related to the Covid-19 coronavirus, we have taken note of Management's assessment on its effects on the operational continuity of Dexia Group as of the date of closing the financial statements, and in particular on liquidity and solvency. We have also reviewed the information disclosed, in this respect, in the notes to the financial statements relating to events after closing date. Finally, we have examined the compliance with the legal and regulatory requirements of the information related to the going concern in the notes of the consolidated financial statements.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Description key audit matter 2 – Consequences of the Group's strategic realignment
(We refer to the note 1.1.6.2.1, 1.3, 1.5.1, 2.13 in the notes to the Consolidated Financial Statements.)</td><td></td></tr>
<tr><td>Note 2.13 dedicated to the reclassification of financial assets sets out the decision approved by the Board of Directors of Dexia Group on 22 May 2019 relating to the realignment of the Group's activities and the acceleration of the disposal of the assets of the DCL New York branch.

This decision has been analysed, in relation to the IFRS 9 standard, as a change of business model occurring in the first half of 2019.

The accounting consequences of the change in business model lead to the reclassification as of 1 July 2019 (i.e. the first day of the following reporting period) of the relevant financial assets portfolios previously recognized at amortized cost, to the categories "financial assets at fair value through other comprehensive income" or "financial assets at fair value through profit or loss" depending on the estimated disposal horizon.

The effect of the reclassification of this asset portfolio with a notional amount of 6 538 million EUR amounts to – 314 million EUR on the Group's equity; it includes a charge of 124 million EUR related to the recycling to income statement of the fair value reserve of cash flow hedging derivatives covering part of the reclassified instruments.

In addition, as indicated in note 1.5.1 "Update on the evolution of the group's asset portfolios", in light of changes in regulation and supervisory requirements, the Board of Directors' meeting of 19 July 2019 decided to implement a second program financial assets disposal (remedial deleveraging plan) for a notional amount of 9.9 billion EUR, the effects of which will be recorded as of 1 January 2020.

Given their accounting impacts in the consolidated financial statements and the accounting constraints applicable to management models under IFRS accounting standards, we considered the consequences of the strategic realignment of the Dexia Group as a key audit matter.</td><td>We have assessed the accounting impacts, with respect to the applicable accounting standards, of the decisions taken by the governance bodies regarding the change in the business model of several portfolios of financial assets. We performed, among other things, the following procedures:

• reading the minutes of the main governance committees to ensure about the existence of new developments during the year;

• reconciliation between the portfolio of assets for which governance bodies have acted a change in business model and the portfolio of assets effectively reclassified as of 1 July 2019 ;

• analysis of the criteria used by the governance bodies to present financial assets in accounting categories with an impact on income or equity, and examination of their compliance with the accounting standards;

• review of the impacts of the reclassification and disposal decisions on the hedge relationships, including (i) the derecognition of micro-hedging relationships (i) adjustments to the macro-hedging portfolio and (ii) the reversal of the reserve related to cash flow hedge derivatives associated with the variable interest rates borrowings financing these reclassified assets ;

• the use of our experts to critically review, on a sample basis, the valuation of the portfolios of assets reclassified into fair value accounting categories.

Regarding the second program of financial assets' disposals (remedial deleveraging plan), we have validated the absence of any accounting impact on the consolidated financial statements as of 31 December 2019, other than the information rightly disclosed in note 1.5.1 "Update on the evolution of the group's asset portfolios" dedicated to post-closing events.</td></tr>
</table>

Key audit matters	How our audit addressed the key audit matters
DDescription key audit matter 3 – Operational risks linked to the information systems *(We refer to the note 1.4.2 in the notes to the Consolidated Financial Statements.)*	
As a banking group, Dexia is dependent, for its operational activities, on the reliability and security of its information systems. The activities of the Group takes place in the specific context of the management of the existing assets portfolios in rundown, in the context of the orderly resolution plan validated by the European Commission on 28 December 2012. In this context, and in order to ensure operational continuity, Dexia Group has outsourced its IT function (development, production and infrastructure) and back offices to an external service provider. Dexia Group has also decided, since the 2018 financial year, to entrust the upgrade and management of the IT infrastructure to the same service provider. In this specific context, the management of operational risk related to the performance of the information systems and the automated treatment of accounting and financial information is considered as a key audit matter.	The assessment of the general IT controls used throughout the accounting and financial information processing chains is a key step in our audit approach. The audit work performed, some of which was carried out directly at the external service provider, with the assistance of our IT specialists, consisted in particular of: • understanding the structure of the IT landscape and the processes and controls related to the production of the accounting and financial information; • examinating the way Dexia Group handled the impacts of IT incidents that occurred during the accounting period and the related corrective actions implemented; • assessing the operating effectiveness of general IT controls (access right management to the applications and data, change management and application development, and management of the IT operations) and the key automated controls on significant information systems (mainly the credit and market applications, accounting, consolidation and automated reconciliation applications between the management data and accounting data); • performing detailed procedures on manual journal entries, related to the write access rights of manual entries, and to the review of the supporting documentation justifying the nature and input of manual entries; • understanding the control and supervision framework currently developed by Dexia Group related to the key services rendered by the external service provider in the context of the outsourcing. Finally, we have reviewed the information presented in the notes to the Consolidated Financial Statements related to the operational risks with relation to the information systems

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 4 - Assessment of credit risk and evaluation of impairments *(We refer to the notes 1.1.6.2.5, 1.4.1, 2.4 to 2.7, 3.6, 5.10 and 7.2 in the notes to the Consolidated Financial Statements.)*	
As from 1 January 2018, the impairments recorded by Dexia Group to cover the credit risks inherent in its banking activities are determined in accordance with the provisions of IFRS 9, and therefore to the principle of expected credit losses. The evaluation of the expected credit losses related to the financial assets requires the use of judgment especially for: • assessing the level of credit risk and the potential significant increase in credit risk to classify exposures under stage 1 and stage 2; as explained here above the Group's strategic realignment has resulted in significant changes in the portfolio of assets' composition that led the Group to adapt its measurement methodology of the increase of credit risk ; • assessing the level of credit risk and the existence of an objective impairment indicator for the classification of the exposures in stage 3; • estimating for each stage the amount of expected losses, • setting up macro-economic projections to be integrated at the same time in the criteria used for the increase in credit risk and for the measurement of expected losses. As of 31 December 2019, financial assets' gross amounts exposed to credit risk amounts to 87 907 million EUR; the total impairments amounts to 309 million EUR and the Group's cost of risk is positive and amounts to 265 million EUR. As the classification of exposures into the different credit risk stages and the determination of expected losses require management's judgment and estimates, we considered the assessment of the level of credit risk to be a key audit matter.	We have assessed the design and implementation Dexia Group's internal control framework on the credit risk and have tested the operating effectiveness of the key controls related to the assessment of credit risk and evaluation of expected losses. Our procedures included, among others, the following processes: • governance: we have taken note of the internal control system framing the definition and validation of the impairment models and the parameters used to calculate these impairments, and of the work and conclusions of the risk management department concerning the internal validation of the IFRS 9 impairment models; • exposures' classification per stage: – we have checked the appropriate staging of outstanding amounts by stage. – with the assistance of our specialists in charge of the credit risk, we have validated the Dexia Group's retained methodologies for the measurement of the increase in credit risk and its correct operational implementation in the information systems; – we ensured that it qualifies as a change in estimate within the frame of IAS 8.34 and that it is correctly accounted for in the Group's consolidated financial statements. • evaluation of expected losses: – with the assistance of our specialists in charge of the credit risk, we have validated the Dexia Group's retained methodologies for the determination of the parameters used for the impairment calculation, their correct operational implementation in the information systems and the effectiveness of the key controls regarding data quality; – for the specific impairments on financial assets classified in stage 3, we have verified the occurrence of a periodical credit risk review by Dexia Group and have assessed based on samplings, the management assumptions and data used for the estimation of impairments. We have also examined the information presented in the notes to the Consolidated Financial Statements related to the credit risk.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 5 – Valuation of the financial instruments classified in level 3 in the fair value hierarchy *(We refer to the notes 1.1.7, 2.3, 2.4, 3.1, 4.1, 5.3, 5.4 and 7.1 in the notes to the Consolidated Financial Statements)*	
In conducting its market activities, Dexia Group holds financial instruments classified in level 3 in the fair value hierarchy. These instruments are recorded at fair market value based on valuation models, including significant parameters which are either unobservable or cannot be corroborated directly with market data. The fair values calculated may be subject to additional value adjustments to take into account certain market, liquidity and counterparty risks, notably for the derivatives: • Credit Value Adjustment (CVA): takes into account the risk of default of the counterparty; • Debit Value Adjustment (DVA): takes into account the own credit risk of Dexia Group; • Funding Value Adjustment (FVA): takes into account the financing costs for the non-collateralized derivatives; and • the use of an actualization curve based on a daily rate curve (OIS). The methods used by Dexia Group to value the financial instruments, as well as the estimation of the additional fair value adjustments, involve a significant part of professional judgment regarding the defined methodologies, the choice of valuation parameters and the fair value adjustments, as well as in the selection and the use of internal valuation models. These financial instruments classified in Level 3 in the fair value hierarchy in note 7.1 of the notes represent 19 253 million EUR of the assets and 35 914 million EUR of the liabilities of the consolidated balance of the Group as at 31 December 2019. Due to the material outstanding amounts and the significant use of professional judgment in the estimation of the fair value, we have assessed that the evaluation of the financial instruments classified in level 3 is a key audit matter.	We have assessed the relevance of the key controls, defined and implemented by Dexia Group in the context of the valuation of financial instruments classified in level 3 including those relating to: • the financial instruments' classification methodology in the fair value hierarchy as defined by IFRS 13 and its periodic backtesting process; • the assessment of the measurement uncertainty risk related to the use of valuation models: we have verified the existence of a models' cartography and have assessed the documentation of the quantification of the uncertainty risk related to the use of these models; • the independent verification of the valuation parameters: we have, among others, analyzed the relevance of the data sources used in accordance with the general principles of a Mark-to-Market valuation and we have assessed the respect of the hierarchy of these sources; • the estimation of fair value adjustments: we have assessed, amongst others, the relevance of the methodologies used, performed an analytical review of the impacts and examined the reconciliation with the accounting data. We have relied on our valuation experts to perform, on the basis of samples: • an analysis of Dexia Group's own assessment of the calculation of uncertainty risk related to the use of valuation models; • an analysis of the relevance of the valuation parameters withheld; • the independent validation of valuations by using our own models. We have assessed the design of the tool used for the calculation and exchange of collaterals on financial derivative instruments and we have analyzed the main calculation differences in valuations with the counterparties for these instruments in order to support our assessment of the reliability of Dexia Group's valuations. Finally, we have examined the information included in the notes to the Consolidated Financial Statements regarding the valuation of financial instruments in the context of the requirements of IFRS 13.

Key audit matters	**How our audit addressed the key audit matters**
Description key audit matter 6 – Documentation and effectiveness of the hedging relationships *(We refer to the notes 1.1.10, 1.1.11, 4.1, 5.3 and 7.7 in the notes to the Consolidated Financial Statements)*	
In conducting its financing activities, Dexia Group has set-up a risk management policy designed to protect itself against the risks of changes in fair value or change in cash flows of its assets and liabilities by using hedging derivatives (micro- and macro- hedging relationships). Dexia Group does not apply IFRS 9 but has chosen to continue to apply IAS 39 for all of its hedging relationships. The designation of a hedging relationship is strictly defined by IAS 39 – "*Financial Instruments: Recognition and Measurement*", and in particular the following conditions must be met: • documentation of the characteristics of the hedged item, of the hedging derivative instrument, and of the type of hedging relationship designated; • The framework for the use of hedge accounting with the performance of retrospective and prospective tests; • Recording ineffectiveness in the income statement. As of 31 December 2019, the outstanding hedging derivatives amounted to 1 378 million EUR on the assets side and 19 184 million EUR on the liabilities side. These derivatives generated a net negative hedge accounting result of 219 million EUR. As indicated in note 1.1.1.2 to the consolidated financial statements, Dexia Group considers that the current market situation, further to the IASB's clarifications on the accounting impacts of the reform "*Interest Rate Benchmark Reform*", the IBOR reform does not question, as of 31 December 2019, the existing and documented hedging relationships Due to the significant impacts in the Consolidated Financial Statements of Dexia Group, we consider the documentation and effectiveness of the hedging relationships as a key audit matter.	We have assessed the relevance of the internal control framework and the governance structure related to the documentation and the effectiveness testing of the hedging relationships. Our audit work focused in particular on: • the documentation of the hedging relationships; • the identification of the hedged portfolios and hedging instruments; • the process to perform the effectiveness tests supporting the hedging relationships designated over time and the recording of the ineffectiveness; • the principles of derecognition of hedging relationships ; • the review of the impact of discontinuing or adjusting hedges following disposals and reclassifications of assets during the year. Our audit work on the outstanding relationships at closing date mainly focused on the following: • the reconciliation of the outstanding amounts per management accounting with the outstanding amounts per financial accounting; • the critical review of the effectiveness tests and the recording of the related inefficiency; • the analytical review of the ineffectiveness recorded in the income statement for the financial year. In addition, we have assessed if the methodology applied by Dexia Group complies with the IFRS standards on the accounting treatment of hedging relationships when a sale of a hedged instrument occurs. Finally, we have examined the information included in the notes of the Consolidated Financial Statements relating to the risks arising from the hedging relationships of Dexia Group in the context of the IFRS requirements.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 7 – Identification and evaluation of the provisions for legal risk related to litigations *(We refer to note 3.6 Provisions in the notes of the Consolidated Financial Statements and to the litigation section in the caption "Risk Management" of the Management Report to which note 3.6 refers and where the Board of Directors describes the main litigations that the Group Dexia is facing)*	
In the context of its activities, Dexia Group is involved in a certain number of legal risks and litigations. The consequences, as assessed by the Group based on the available information at closing date, of the main litigations, including those related to the 'share leasing' activities in the Netherlands and the investigations with a potential significant outlook on the financial situation, on the results or on the assets of the Group, are reflected in the Consolidated Financial Statements. The Group complies with the requirements of IAS 37 for the evaluation and recording of provisions for certain risks. The recording of a provision or contingent liability in order to cover the legal risk requires by nature the use of professional judgment due to the difficulty to estimate the outcome of litigations that may arise. Due to the nature of the current procedures against Dexia Group and given the use of estimation in the determination of the provisions, we consider the legal risk related to litigations as a key audit matter.	We have assessed the adequacy of the internal control system and tested the operating effectiveness of key controls related to the process of determining the provisions for litigation. These controls mainly concern the identification of the files to be provisioned based on the motives of the dispute and the determination of the amount of the provisions estimated using the methodologies retained by Dexia Group. Our audit work has focused on the following: • we have conducted discussion with management and more specifically Dexia Group's legal department; • we have examined the motives for the current disputes and have assessed the adequacy of the existence of provisions based on the Group's assumptions; • we have assessed the principles and assumptions used by the Group to estimate the amount of provisions for litigations; • we have inquired with the law firms with which Dexia Group is working to obtain and review the assessment made by these lawyers on the status of the litigations; • finally, we have examined the information in the note 3.6 of the Consolidated Financial Statements for provisions.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the board of auditors for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the board of auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
• conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the board of auditors to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the board of auditors. However, future events or conditions may cause the group to cease to continue as a going concern;
• evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

Responsibilities of the board of auditors

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements under section "*Non-financial declaration – Corporate social responsibility*" that is part of the annual report. The Dexia Group in accordance with the law of 3 September 2017 related to the publication of non-financial information and information on diversity by large corporates and groups, which transposes Directive 2014/95 /EU, has established this non-financial information. In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with the above mentioned law.

Statements regarding independence

• Our audit firms and our networks have not performed any prohibited services and our audit firms have remained independent from the Group during the performance of our mandate.
• The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

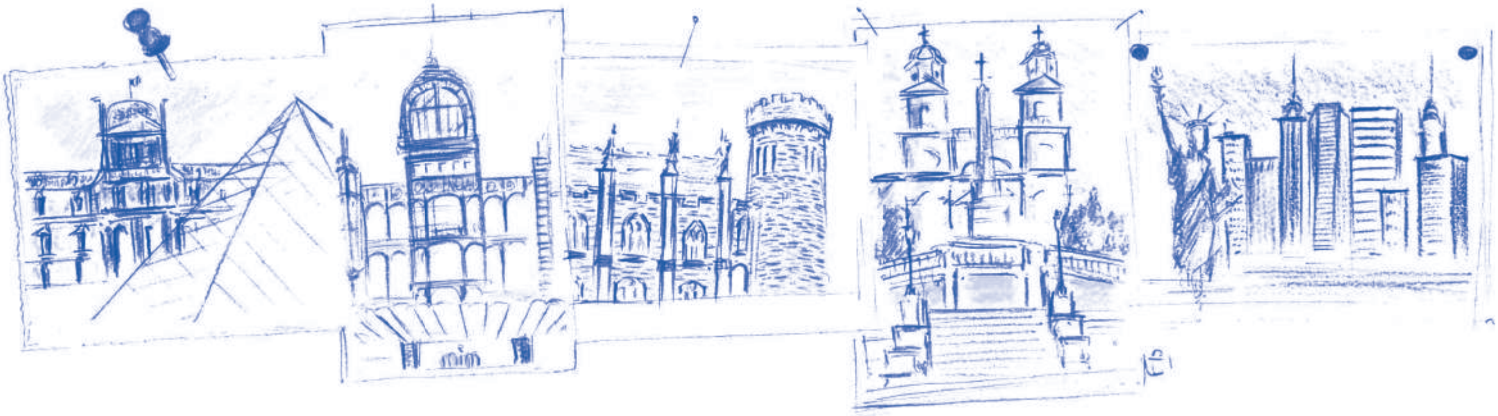
This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem & Brussels, 14 April 2020

The Board of Auditors

Deloitte Bedrijfsrevisoren CVBA /
Réviseurs d'Entreprises SCRL
Represented by Yves Dehogne

MAZARS Bedrijfsrevisoren CV /
Réviseurs d'Entreprises SC
Represented by Xavier Doyen



Annual financial statements as at 31 December 2019

Balance Sheet
(before income appropriation)

ASSETS (in EUR)		**31/12/2018**	**31/12/2019**
FIXED ASSETS		**2,343,422,882**	**93,278,440**
II.	Intangible fixed assets	150,664	62,961
III.	Tangible fixed assets	129,319	72,540
	B. Plant, machinery and equipment	5,683	4,190
	C. Furniture and vehicles	110,728	60,264
	E. Other tangible fixed assets	12,908	8,086
IV.	Financial fixed assets	2,343,142,899	93,142,939
	A. Affiliated enterprises	2,343,141,349	93,141,389
	1. Participating interests	2,343,141,349	93,141,389
	C. Other financial assets	1,550	1,550
	2. Amounts receivable and cash guarantees	1,550	1,550
CURRENT ASSETS		**755,601,493**	**739,725,204**
V.	Amounts receivable after more than one year	106,184,228	100,692,125
	B. Other amounts receivable	106,184,228	100,692,125
VII.	Amounts receivable within one year	2,663,093	1,840,405
	A. Trade debtors	827,220	1,108,764
	B. Other amounts receivable	1,835,873	731,641
VIII.	Current investments	644,064,295	633,677,126
	B. Other investments and deposits	644,064,295	633,677,126
IX.	Cash at bank and in hand	1,786,191	2,275,349
X.	Deferred charges and accrued income	903,686	1,240,199
TOTAL ASSETS		**3,099,024,375**	**833,003,644**

SHAREHOLDERS' EQUITY AND LIABILITIES (in EUR)		31/12/2018	31/12/2019
EQUITY		**2,986,155,120**	**731,072,446**
I.	Capital	500,000,000	500,000,000
	A. Issued capital	500,000,000	500,000,000
II.	Share premium account	1,900,000,000	1,900,000,000
IV.	Reserves	322,880,172	322,880,172
	A. Legal reserve	50,000,000	50,000,000
	D. Available reserves	272,880,172	272,880,172
V.	Retairned earnings	272,004,548	263,274,948
V. bis.	Loss (-) for the year (1)	(8,729,600)	(2,255,082,674)
PROVISIONS AND DEFERRED TAXES		**62,493,188**	**53,338,694**
VII.	A. Provisions for liabilities and charges	62,493,188	53,338,694
	2. Fiscal charges	4,000,000	-
	5. Other liabilities and charges	58,493,188	53,338,694
AMOUNTS PAYABLE		**50,376,067**	**48,592,504**
VIII.	Amounts payable after more than one year	39,788,000	39,788,000
	A. Financial liabilities	39,788,000	39,788,000
	1. Subordinated loans	39,788,000	39,788,000
IX.	Amounts payable within one year	10,164,358	8,406,651
	C. Trade debts	2,793,764	2,324,992
	1. Suppliers	2,793,764	2,324,992
	E. Taxes, remuneration and social security	2,661,170	2,477,494
	1. Taxes	566,609	93,638
	2. Remuneration and social security	2,094,561	2,383,856
	F. Other amounts payable	4,709,424	3,604,165
X.	Accrued charges and deferred income	423,709	397,853
TOTAL LIABILITIES		**3,099,024,375**	**833,003,644**

(1) See note 1 to the financial statement.

Off-balance-sheet items

(in EUR)	31/12/2018	31/12/2019
Miscellaneous rights and commitments		
Guarantee given by the French and Belgian States for the Finanial Products portfolio (1)	PM	PM
Guarantees given by third parties on behalf of the company	302,973	302,973
Real guarantees given on own assets	308,690	308,889
Issuance of beneficiary participations	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitments others (2)	PM	PM

(1) See note 4.4.c of the consolidated financial statement
(2) See note 4.4. Off-balance-sheet items - Commitments

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Income Statement

(in EUR)		31/12/2018	31/12/2019
I.	Operating income	8,975,259	7 432 733
	D. Other operating income	8,492,170	6,976,390
	E. Non-recurring operating income	483,089	456,343
II.	Operating charges	(26,613,818)	(23,844,773)
	B. Services and other goods	(14,583,653)	(12,474,129)
	C. Remuneration, social security costs and pensions	(9,032,401)	(8,871,181)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(219,572)	(174,135)
	F. Provisions for liabilities and charges : Increase (-)	(150,838)	(150,840)
	G. Other operating charges	(242,833)	(207,072)
	I. Non-recurring operating charges	(2,384,521)	(1,967,416)
III.	Operating Loss (-)	(17,638,559)	(16,412,040)
IV.	Financial income	10,218,529	11,784,969
	A. Recurring financial income	10,218,529	7,567,917
	2. Income from current assets	270,908	243,402
	3. Other financial income	9,947,621	7,324,515
	B. Non-recurring financial income	0	4,217,052
V.	Financial charges	(693,629)	(2,252,459,201)
	A. Recurring financial charges	(630,901)	(1,709,550)
	1. Debt charges	(39,324)	(31,199)
	3. Other financial charges	(591,577)	(1,678,351)
	B. Non-recurring financial charges	(62,728)	(2,250,749,651)
VI.	Loss (-) for the period before taxes	(8,113,659)	(2,257,086,272)
VIII.	Income taxes	(615,941)	2,003,598
	A. Income taxes	(1,332,837)	(4,330,270)
	B. Adjustment of income taxes and write-back of tax provisions	716,896	6,333,868
IX.	Loss (-) for the period	(8,729,600)	(2,255,082,674)
XI.	Loss (-) to be appropiated	(8,729,600)	(2,255,082,674)
	Profit brought forward of the previous period	272,004,548	263,274,948
	Loss for the period to be appropriated	(8,729,600)	(2,255,082,674)
	PROFIT(+) / LOSS(-) TO BE APPROPRIATED	**263,274,948**	**(1,991,807,726)**

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1. Presentation of the financial statements

Dexia presents its financial statements before appropriation. The 2019 financial year closed with a loss of EUR -2,255.1 million. The profit carried over from the previous period is EUR 263.3 million. As a result, the total profit loss to be appropriated is EUR -1,991.8 million.

2. Annual financial statements and chart of accounts

Dexia is a limited company and a financial company governed by the Belgian law whose capital is represented by 420,134,302 shares without designation of their nominal value, and exclusively registered, not negotiable on the Euronext market and not convertible in dematerialized shares whereof 418,408,714 are held by the Belgian and French States.
The extraordinary General Shareholders' meeting of October 16, 2019 decided, subject to the condition precedent of the acceptance of the withdrawal of Dexia shares from the regulated market of Euronext Brussels, to early and voluntarily apply the new Code of Companies and Associations in accordance with article 39, § 1, paragraph 2 of the law of 23 March 2019 introducing the Code of Companies and Associations. As a result, Dexia has modified its statutory provisions. It also follows from this 'opt-in' that Dexia is subject to the ordinary law of annual accounts as filed in the new Code of Companies and Associations of March 23, 2019 and its royal implementing decree of April 29, 2019.
Therefore, the Dexia chart of accounts is consistent in its content, presentation and numbering with the chart of accounts referred to by the royal decree of April 29, 2019
The items included in the accounting plan that do not apply to Dexia have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

Dexia having decided to proceed to the voluntary early application of the new Code of Companies and Associations, the valuation rules are in accordance with the royal decree of April 29, 2019 implementing the Code of companies. If legislation allows options or authorises a waiver, the accounting policies hereafter shall mention the option chosen or whether such a waiver has been applied.

3.1.2. FOREIGN CURRENCY TRANSLATION INTO EUR

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into EUR at the last day average year-end exchange rate.
Non-monetary items are translated into EUR based at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into EUR at the exchange rate ruling in effect on the date on which the income or expense is recognised in the statement of income.

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

As from the accounting year 2012, all formation expenses are booked into charges for 100% during the period in which they are incurred.

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

License costs, external costs linked to software development and to the development of the Dexia Group website are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 1,000 per item or, when delivery is broken down into partial shipments representing less than EUR 1,000 each but the total delivery is at least EUR 1,000.
Intangible fixed assets are depreciated over a maximum of five years.
Furthermore, the internal costs related to the development of software and the website are entirely charged in the financial year in which they are exposed.
Exceptional amortizations will be recorded in order to align the accounting value of the intangible fixed assets to their utilization value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.3.TANGIBLE FIXED ASSETS (ITEM III.)

If necessary, exceptional depreciations will be recorded in order to align the accounting value of fixed assets to their utilization value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.4. FINANCIAL ASSETS (ITEM IV.)

Participating interests and shares are recorded on the balance sheet at their acquisition cost or contribution cost. Accessory acquisition fees are charged to the period of acquisition.
Impairments are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial

position, profitability, and prospects of the company in which shares and/or equity interests are held.
Participating interests and shares may also be revalued. It is therefore required that their value, determined on the basis of their usefulness to the company, presents a certain and lasting surplus in relation to their book value.
Debts appearing under financial fixed assets are valued according to the same principles as debts at more than one year and up to one year.

3.2.5. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR AND WITHIN ONE YEAR (ITEMS V. AND VII.)

Receivables are stated on the balance sheet at their nominal value. Impairments are booked to cover any risk of non-recovery.

3.2.6. SHORT-TERM INVESTMENTS AND CASH ASSETS (ITEMS VIII. AND IX.)

Cash is stated at nominal value.
Securities are stated at acquisition cost, while accessorial acquisition costs are recorded in the statement of income of the year in which they are incurred.
At balance sheet date, impairments are recorded on short-term investments and liquid assets if their realization value is lower than their book value.
Additional impairments are recorded on these assets in order to reflect either a change in their realization or market value, or the risks inherent in the nature of the products concerned or the activities carried out.

3.3. Liabilities

3.3.1. REVALUATION RESERVES (ITEM III.)

Shares and participating interests recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.
Revaluation reserves are maintained under this heading until the realization of the assets concerned or their inclusion in capital.

3.3.2. PROVISIONS FOR LIABILITIES AND CHARGES (ITEM VII.)

At balance-sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years, and, in case of an obligation, the expected amount necessary to pay the debt on the balance sheet date.
Provisions relating to previous financial years are regularly reviewed and reversed if they have become irrelevant.

3.3.3. DEBTS OF OVER ONE YEAR AND UP TO ONE YEAR (ITEMS VIII. AND IX.)

Debts are stated for their nominal value on the balance sheet.

3.4. Off-balance sheet items

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the contract or for their estimated value.

4. Notes to the annual financial statements

Dexia is a cross-border holding company which has a permanent establishment in Paris, 1, passerelle des Reflets, Tour CBX– La Défence 2, F-92919 Paris. From an accounting point of view, the financial statements of Dexia include the accounts of Brussels, the Dexia head office, and those of the permanent French establishment in Paris.

GOING CONCERN

The statutory financial statements of Dexia as at 31 December 2019 were prepared in line with the accounting rules applicable. This requires a number of constituent assumptions underlying the business plan for the resolution of the Dexia Group, decided upon by the European Commission in December 2012 and established on the basis of the elements available on the date the financial statements were approved by the Board of Directors. In particular:

• The macroeconomic hypotheses underlying the business plan are revised as part of the half-yearly reviews of the overall plan. The update made on the basis of market data observable as at 30 June 2019 and validated by the Board of Directors of Dexia on 19 December 2019 integrates the regulatory developments known to that date, including the final version of the CRD IV Directive. It also takes account of the non-renewal, as from 1 January 2019, of the specific approach implemented by the European Central Bank for the supervision of the Dexia Group. This update does not integrate the results of the on-site inspection (OSI) by the European Central Bank on operational risk and outsourced activities, on which the definitive report has not yet been received by Dexia.
• The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured funding.
• The latest update of the business plan takes account of a revision of the funding plan relying on the last observable market conditions. Dexia has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to the prudent management of its liquidity. This enables the Group to maintain a level of liquidity reserves which is deemed appropriate considering the restriction of access to European Central Bank funding announced on 21 July 2017. As at the end of 2019, Dexia had a liquidity buffer amounting to EUR 19.4 billion, half of which consisted of cash.
• The acceleration of the deleveraging decided during the summer 2019, combined with the sale of DKD, led to a EUR 32 billion decrease of the Group's funding requirement over the year, partially driven by a rapid reduction of the funding requirement in US dollar. The achievement of the funding program in 2019, in line with the budget, as well as the

successful launch of its first 2020 7-year benchmark issue for EUR 1.5 billion is a reflection of the good funding capacity of Dexia which resilience vis-à-vis the risk of liquidity, in normal market circumstances, strongly improved in 2019. Finally, the confirmation by the European Commission of the prolongation of the liquidity guarantee provided by the French and Belgian States beyond 31 December 2021 for up to EUR 75 billion provides great comfort for the continuation of the Group's orderly resolution.

• The business plan assumes the maintenance of the banking licences of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at the level of Investment Grade.

• When assessing the appropriateness of the going concern, the management has challenged the consistency of the strategic choices made by its shareholders with long-term financial forecasts. The management also factored in the constraints and uncertainties related to its operating model as well as the risk attached to its operational continuity, given its specific nature of a bank in run-off, and took the appropriate actions to mitigate such risks.

Uncertainties remaining with regard to implementation of the business plan over the duration of the Group's resolution led to regular reviews and adjustments to the original plan and, over time, may involve a significant change of the Group's resolution trajectory as initially anticipated. In particular, this plan is likely to be impacted by new developments in accounting and prudential rules.

The Dexia Group is also very sensitive to the evolution of the macroeconomic environment and to market parameters, particularly exchange rates, interest rates and credit spreads. An unfavourable evolution of these parameters over time could weigh on the Group's liquidity and its solvency position. It could also impact the valuation of financial assets, liabilities and OTC derivatives, fluctuations of which are booked in the income statement and are liable to result in a fluctuation of the level of the Group's regulatory capital. In particular, considering decisions taken by the Board of Directors in relation to the implementation of two asset sales programs, for a total amount of approximately EUR 18 billion, Dexia is exposed to the evolution of macroeconomic conditions and market parameters on these assets until their effective disposal.

Finally, the Group is exposed to certain operational risks, specific to the resolution environment in which it operates.

At this stage, these uncertainties do not raise any question as to the nature or the fundamentals of the resolution, which justifies the decision to establish the financial statements in accordance with the "going concern" principles.

Moreover, Dexia is closely monitoring the evolution of the situation linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe. On the date of approval of the Group's financial statements by the Board of Directors, the severity of the pandemic has had major consequences on the financial markets. It will have a severe impact on economic growth and could lead to a deterioration in the quality of the assets held by the Group that cannot be assessed at this stage.

Dexia has rapidly implemented the necessary measures to ensure operational continuity within the context of a confinement of staff members and subcontractors. Its liquidity reserves enable it to cope with the tensions existing on the money market on the date of approval of the financial statements by the Board of Directors and the measures announced by the supervisors to relax solvency ratios increase its excess capital buffer.

As a consequence, after taking account of all these elements developed in part in Appendix 4 . to the statutory financial statements in this annual report, Dexia management confirms that, at the end of 2019, the financial statements can be prepared in accordance with the rules applicable to a going concern. The subsequent analysis of the effects of the Covid-19 crisis carried out by Dexia management has not led to call into question the assessment of the going concern agreement.

4.1. Balance sheet total (before income appropriation)

The balance sheet total of EUR 833 million as at 31 December 2019 is reduced when compared to EUR 3 099 million as at 31 December 2018 due to the reduction in value of EUR 2 250 million applied to the participation interest held in Dexia Credit Local (DCL) bringing it down to zero.

4.2. Assets

FIXED ASSETS

4.2.1. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 0.1 million and concerns the acquisition and the development of software.

These assets are depreciated on a straight-line method over a period of three years.

4.2.2. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 0.1 million have a gross acquisition value of EUR 3.3 million. Property, plant and equipment contribute a gross acquisition value of EUR 1.5 million and are depreciated on a straight-line base over a period of ten years.

The office, computer and audio-visual equipment represents a gross investment of EUR 0,6 million which is depreciated at a linear rate of 25%.

Other tangible fixed assets involving the installation of the leased buildings, notably the buildings located in the Bastion Tower in Brussels (gross acquisition value of EUR 1.2 million), are depreciated on a straight-line basis over the period of the lease contracts.

4.2.3. FINANCIAL FIXED ASSETS

Participation interests in affiliated companies

The item "Participating Interest" represents no more than EUR 93,1 million against EUR 2 343,1 million as at 31 December 2018 following a depreciation of EUR 2 250 million applied to Dexia Crédit Local (DCL).

It includes the following equity interests:

• EUR 0 million: 100% of Dexia Crédit Local (DCL), Paris, France.

The gross acquisition value of the DCL amounts to EUR 17,203.8 million and, at 31 December 2018, the total recognised impairment on DCL was EUR 14 953,8 million taking into account its profitability and the present value of future profits. As mentioned in the 2018 annual report, this value was significantly impacted following the modified State guarantee scheme for issues after December 31, 2021. As of September 27, 2019, the European Commission approved the extension

by the Belgian and French States of the Dexia financing guarantee, which is however subject to new conditions including the establishment of a conditional deferred commission resulting in the fact that any net DCL liquidation proceeds can only be negative after payment to the States of the party deferred from the aforementioned guarantee commission. In view of the above, the value of DCL was reduced to zero by implementing an additional impairment of EUR 2 250 million.
• EUR 93.0 million: 100% of Dexia Nederland BV, Amsterdam, The Netherlands.
• EUR 0.1 million: 100% of Dexiarail SA, Paris, France.

CURRENT ASSETS

4.2.4. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia in Paris has headed the tax consolidation group in France. As at 31 December 2019, the group includes the following companies:
• DCL Evolution
• Dexia CLF Régions Bail
• Dexia Crédit Local
• Dexia Établissement Stable Paris
• Dexia Flobail
• Dexiarail
• Genebus Lease.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia, through its permanent establishment, to lock in temporary tax savings, it was agreed that the economies generated by the permanent establishment would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "deferred tax advances".
The total of deferred tax advances granted by the permanent establishment with contractual maturity after 31 December 2020 amounted to EUR 87,5 million on 31 December 2019.

In order to ensure the operational continuity of Dexia and carry out the imposed orderly resolution plan of the Group, a trust Hyperion was founded on 29 November 2012 with the objective to pay, on behalf of Dexia, severance pay as provided for by the collective agreement on leaving conditions concluded on December 21 2011, to all staff of Dexia who have accepted to stay at least until October 2014. A loan was granted to Hyperion to finance its activities, the outstanding amount of the loan, of which the maturity is more than 1 year, is EUR13,2 million on 31 December 2019.

4.2.5. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item "Trade debtors" (EUR 1,1 million) includes commercial receivables to be charged essential to subsidiaries from the Group (EUR 1,1 million).

Other amounts receivable

The permanent establishment of Dexia in Paris is the head of the tax consolidation group in France. It is, as a result, solely liable for corporation tax from the Group in relation to its fiscal integration, given that taxes due from companies included in the tax consolidation must be paid to the permanent establishment. On 31 December 2019, the permanent establishment in Paris had a receivable of EUR 0,3 million to the French tax authorities as the lead company for French tax consolidation for the years 2014 to 2018.

For the subsidiaries, membership in the tax integration group is neutral compared to the tax situation that would have been theirs in the absence of integration. Subsidiary companies must pay their contribution to the payment of corporate tax to the permanent establishment. For the year 2019, the estimated tax, of which the subsidiaries are liable to the head of the group, amounts to EUR 1 million from which it is necessary to deduct, on the one hand, the deposits already paid by the subsidiaries to the head of the group for the same financial year (EUR -0.7 million) and, on the other hand tax credits due to subsidiaries for a total of EUR -0.3 million for the years 2014 to 2018.

In addition, Dexia has a receivable of EUR 0,3 million corresponding to the short-term maturity of the loan granted to Hyperion.

The balance consists of various claims of insignificant amounts (EUR 0.1 million).

4.2.6. CURRENT INVESTMENTS

Other investments and deposits

n 2019, cash surpluses of Dexia were deposited at short term with DCL until the amendment in April 2019 of the Law of December 21, 2013 on various fiscal and financial provisions, which provides in its article 115 that Dexia must invest its cash directly with the Belgian Treasury. As of December 31, 2019, Dexia has a 48-hour deposit of EUR 633.7 million with the Federal Debt Agency .

Fixed income securities held by Dexia as at December 31, 2018 (EUR 48,1 million) were the subject of an early reimbursment made by the issuer for an amount of EUR 1,8 million in 2019 resulting in a capital gain on the repayment of EUR 0.4 million (see note 4.5.2 "Other financial products"). In addition, given the liquidation of the cell owned by Dexia in the insurance company White Rock Insurance PCC Ltd, all fixed income securities that had been given into guarantee could be released as a result of which Dexia decided to sale them for an amount of EUR 46,3 million, thereby generating a capital gain of EUR 6,9 million (see note 4.5.2 "Other financial products").

4.2.7. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 2,3 million.

4.2.8. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 1.1 million and includes insurance (EUR 0.1 million), databases (EUR 0.5 million), software (EUR 0.3 millon) and also other general expenses (EUR 0.2 million).
Also included under this heading are Accrued income (EUR 0.1 million) consisting of interest on tax deferred advances.

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2019, the holding company's shareholders' equity including 2019 net result before profit appropriation totalled EUR 731,1 million and is composed of the following items:

4.3.1. CAPITAL

The subscribed and fully released capital as at 31 December 2019 amounts to EUR 500 million and is
represented by 420 134 302 shares without indication of their nominal value and each representing 1/420 134 302th of the statutory capital.
Following the withdrawal from trading of 1,948,984 Dexia shares listed on the regulated market of Euronext Brussels, the shares representing the capital of Dexia are now exclusively registered and cannot be converted into dematerialized shares.
It should be noted that as of December 31, 2019, 221,749,916 shares were held by the Belgian State through the Société Fédérale de Participations et d'investissement (SFPI), i.e. 52.78% and 196,658,798 shares by the French State through the Agence de Participations de l'Etat , or 46.81%.
In addition, on December 7, 2017, Dexia issued 28,947,368 beneficiary units bearing Contingent Liquidation Rights (CLR), which were granted to the Belgian and French States. These CLR do not contain voting rights and do not represent the capital of Dexia, but give the States the right to benefit from a preferential distribution, upon the liquidation of Dexia, after the settlement of debts and charges, amounting to EUR 440 million every year from 1 January 2018 until the date of liquidation.

4.3.2. SHARE PREMIUM ACCOUNT

The previous capital increases involved an issue premium so the total of these premiums amounts to EUR 1,900 million as at 31 December 2019.

4.3.3. RESERVES AND RETAINED EARNINGS

The item "Reserves" includes the legal reserves (EUR 50 millions) and an available reserve amounting to EUR 272.9 million.
At the General Shareholders' meeting of 15 May 2019, the loss of the year 2018 of EUR -8,7 million as well as the retained earnings of 272 million on 31 December 2017 contributed to the reported earnings, bringing the total retained earnings to 263,3 million on 31 December 2018.

4.3.4. NET RESULT FOR THE YEAR

The financial year 2019 closes with a loss of EUR -2,255.1 million. This loss arises from the recurrent financial results (EUR +5.8 million) and non-recurring (EUR – 2,246.50 million) and also the non-recurring exploitation results (EUR -1.5 million) from which are deducted the holding company's net operating expenses (EUR -14.9 million) and also the taxes (EUR +2 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for fiscal charges

DCL received a proposal for a tax adjustment of EUR 60 million at the end of 2016 for the fiscal year 2013. In 2017, a provision of EUR 49 million was recorded in DCL 's accounts and a supplementary amount of EUR 4 million, linked to the fact that Dexia Establishment France is the group head of the tax consolidation perimeter in France, was also recorded in the accounts of Dexia in 2017. This adjustment was the subject of a dispute with the French tax authorities and gave rise to a payment of EUR 3.6 million in principal together with 0.4 million default interests. The provision for tax charges of EUR 4 million has therefore been fully utilized.

Provision for other liabilities and charges

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France on 1 January 2002, Dexia, through its permanent establishment, assumed vis-à-vis the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of tax leverage operations carried out in France with the approval of French tax authorities. Since then, new operations for the purpose of fiscal leverage were carried out by Dexia Credit Local, housed in subsidiaries of the consolidated tax group. These transactions have had the effect of creating an additional provision of an amount of 0.1 million EUR in 2019. The total of those commitments amounts to 1.7 million EUR at 31 December 2019.

Furthermore, the exceptional provisions related to the sale of subsidiaries which amounted to EUR 41.5 million at December 31, 2019 were the subject of a reversal of up to EUR 4 million following the outcome of a dispute and therefore amounted to EUR 37.5 million as of December 31, 2019.

The announcement of the dismantling of the Group in October 2011 resulted in 2011 and 2017 in exceptional provisions of a total amount of EUR 56 million to cover the costs of severance payments. Those provisions amounting to EUR 14.6 million on 31 December 2018 were used for the amount of EUR 0.9 million, resulting in EUR 13.7 million at 31 December 2019.

In addition, in 2018, a new non-recurring provision of EUR 0,8 million which had to be provided as part of a contract termination has been subject to a partial reversal for an amount of EUR 0.4 million following a reassessment of the risk incurred.

Taking into account the above, the balance of provisions for other liabilities and charges at 31 December 2019 amounts to EUR 53.3 million compared to EUR 58,5 million at 31 December 2018.

LIABILITIES

4.3.6. AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR

Subordinated loans

Dexia Funding Luxemburg (DFL), a 100% subsidiary of Dexia, issued in 2006 non-cumulative fixed-rate/floating-rate perpetual securities for an amount of EUR 500 million guaranteed by Dexia (DFL securities). Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB launched two public offers on the DFL securities. Dexia agreed to buy from DBB the DFL securities obtained under the offer. Following the merger by absorption of DFL by Dexia on 9 May 2012, the DFL securities acquired for the amount of EUR 460.2 million were cancelled by Dexia. There remains on 31 December 2019 in the accounts of Dexia EUR 39.8 million representing the balance of the DFL securities which have not been repurchased.

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Trade debts

Suppliers' invoices not yet paid amounts to EUR 1.7 million, invoices to be received EUR 0.6 million, including 0.6 million due to related companies.

Taxes, remuneration and social security

This item includes:
• the professional withholding tax and other taxes (EUR 0.1 million);
• liabilities for remuneration and social contributions (EUR 2.4 million).

Other amounts payable

The balance of the dividends remaining to be paid for the previous financial years amounts to EUR 3.6 million.

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item consists of expenses to be accrued as follows:
• Rental charges (EUR 0.1 million)
• Other general costs (EUR 0.1 million)
And a deferred income for 0.1million.

4.4. Off-balance-sheet items – commitments

Dexia has given guarantees in the context of the sale of its participations.

Dexia has significant commitments that are recorded off-balance sheet:

4.4.1. On 2 November 2006, Dexia (DSA) issued a subordinated guarantee within the context of a subordinated "hybrid Tier 1" issue by Dexia Funding Luxembourg SA (DFL), a 100% subsidiary of Dexia (perpetual non-cumulative securities at a guaranteed fixed/floating rate, for a global amount of EUR 500 million). This subordinated guarantee was issued in favour of the security holders who subscribed to the said securities and cover the payment by DFL of (i) any coupon which has not been waived in accordance with the issue conditions and (ii) the redemption price in the case of liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of purchase in accordance with the issue conditions. Following the merger of DFL and Dexia at 9 May 2012, the guarantee has automatically expired (Dexia becomes the issuer).

4.4.2. As at 31 December 2018, all the subscription rights ("warrants") previously attributed to the employees and the management are expired.

4.4.3. On 18 May 2005, Dexia purchased 100% of the shares of Dexia Nederland Holding NV (today called Dexia Nederland BV) from Dexia Financière SA based on a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to the International Bank in Luxemburg and Dexia Bank, also shareholders of Dexia Financière, for the case where the value of Dexia Nederland Holding, including the Dexia Bank Nederland (DBnl), should be revised upwards as a consequence in favour of DBnl.

4.4.4. On 5 December 2002, Dexia committed to its subsidiary Dexia Bank Nederland NV, and to each of the entities resulting from the split-up of Dexia Bank Nederland, excluding any other entity, to ensure that Dexia Bank Nederland or the entities are at any time, in a position to meet their commitments to third parties and to continue their activities, including maintenance of their relationships with account holders and other clients; in particular, the aim of this undertaking was to prevent third parties being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was subject to prior agreement of DNB (De Nederlandsche Bank). The sale of Kempen & Co NV to a group of financial investors and management was finalised on 15 November 2004. Within the context of this sale, Dexia reconfirmed by letter dated the same day its commitment towards Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other entity.
In addition to the usual guarantees given to purchasers to which Dexia is also bound, Dexia will indemnify Kempen & Co against the risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and committed to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.5. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 4.4.C. "Transactions with the Belgian, French and Luxembourg states" of the consolidated financial statements.

4.4.6. LEASE GUARANTEES

The transfer of the registered office of Dexia to the Bastion Tower, Place du Champ de Mars 5, B-1050 Brussels required the deposit of an unconditional guarantee payable on first demand of EUR 0.3 million in favour of the owner of the premises.

4.4.7. REAL GUARANTEES ON OWN FUNDS

Cash frozen on an ad hoc account is given as surety to Belfius Bank for lease guarantees (EUR 0.3 million).

4.4.8. GUARANTEE GIVEN BY DEXIA TO DEXIA CRÉDIT LOCAL (“DCL“) WITHIN THE FRAMEWORK OF THE SALE OF DHI TO DCL

On 13 March 2014, Dexia irreversibly committed to DCL to compensate the latter for any amounts of damages, interests and/or fees that could be incurred by DCL, as part of ongoing investigations in the United States related to the Guaranteed Investment Contracts that were concluded with the issuers of American municipal bonds.

4.4.9. ISSUE OF PROFIT SHARES (CONTINGENT LIQUIDATION RIGHTS)

As mentioned at point 4.3.1., on 7 December 2017, at the conversion of the preference shares of class B into ordinary shares, profit CLR shares have been issued and granted to holders of class B shares, namely the Belgian and French States. They therefore benefit from a preferential distribution upon the liquidation of Dexia at certain conditions. Nevertheless, the owners of those profit shares CLR have no right to vote as such, except in cases and at the conditions foreseen in accordance with the Company Code (see note 4.8. of the consolidated)

4.4.10. LITIGATIONS

See chapter Risk management in the Management Report.

4.5. Income Statement

4.5.1. OPERATING RESULT

Other operating income (EUR +7 million) includes the services provided by the teams of the holding to other entities of the group in the context of the steering mission of the departments to the new dimension of the Dexia Group (EUR 6.6 million). Also included in this item are the recovery of costs from Group companies (0.2 million EUR) following purchasing contracts negotiated at the level of the holding company for the entire group as well as the reimbursement of a property tax (0.2 million euros).

The **non-recurring operating** income (EUR 0.5 million) includes principally a partial reversal of a provision due to the cancellation of a commercial contract.

Services and other goods amounting to EUR 14.6 million as at 31 December 2018 become EUR 12.5 million at 31 December 2019.
This item includes fees paid to consultants, experts, auditors, as well as compensations paid to the members of the Management Board and Board of Directors which has been decreased by EUR 4.6 million in 2018 against EUR 3.2 million in 2019 following the permanent policy of cost restraint. The insurance costs, which are related to the D&O responsibility of the directors and officers of Dexia, also cover the consequences of frauds for Dexia committed by its employees as well as third party victims of certain losses caused by Dexia (“BBB/PI“). These covers incurred again a reduced cost of EUR 0.4 million following the decrease in the number of subsidiaries of the group and the risk review.
Other operating costs (rental of buildings, telecommunications, travel, trainings, etc.) were limited to EUR 8.3 million compared to EUR 8.4 million in 2018.

Costs associated with the Group transformation plan remains stable and amounts to EUR 0.6 million in 2018, compared to EUR 0.6 million in 2019.

The **cost of remunerations and social charges** declines from EUR 9 million in 2018 to EUR 8.9 million in 2019 while the number of staff decreases from 57.1 FTEs in 2018 to 54.1 FTEs in 2019.

Amortisation amounts to EUR 0.2 million and mainly concerns intangible assets.

Provisions for risks and charges are commented in the first paragraph of note “4.3.5. Provisions for other risks and charges”.

Other operating expenses (EUR 0.2 million) consist of the annual contribution paid to the Financial Services and Markets Authority (FSMA) (EUR 0.1 million) as well as the property taxes and others (EUR 0.1 million).

The **non-recurring operational costs** (EUR 2 million) (see note 4.19.) includes in the subsection “provisions for exceptional risk and charges“ (EUR -0.9 million) the utilization of the provision corresponding to severance costs provided for following the announcement of the resolution plan in October 2011(EUR -0.9 million).

The subsection “other non-recurring operational expenses“ (EUR 2.8 million) includes termination benefits and similar expenses essentially related to the resolution plan of the group (EUR 1.2 million), as well as the expenses incurred following the sale of the participations held and in the framework of the strategic analysis on the evolution of the Group (EUR 1.6 million).

4.5.2. FINANCIAL RESULT

Income from current assets (EUR 0.2 million) include the interests generated by deferred taxes advances (EUR 0.2 million).

Other financial income (EUR 7.3 million) are the result of firstly, realized capital gains (EUR 6.9 million) on the sale at their market value (EUR 53.2 million) of fixed-income instruments held by the issuers, acquired in 2012 and, on the other hand, capital gains generated on fixed-income securities at the repayment operated by issuers and this thanks to the recovery of the financial markets since their acquisition in 2012 (EUR 0.4 million).

The non-recurring financial income (EUR 4.2 million) includes the reversal of a provision drawn up in the context of a revision of the sales price of a subsidiary (EUR 4 million) as a result of the settlement of a dispute and also EUR 0.2 million related to the liquidation of White Rock.

Other financial charges (EUR 1.7 million) include a negative interest expense arising from short-term investments made at the Federal Debt Agency (EUR 1.3 million) and also at Dexia Crédit Local (EUR 0.3 million) and other costs (EUR 0.1 million) related to the quotation of the Dexia share, the management fees for the securities and storage costs.

Non-recurring financial charges (EUR 2 250.7 million) includes the impairment recorded on DCL (see point 4.2.3. Financial fixed assets) which is EUR 2,250 million late payment interest inherent in the 2013 tax audit (EUR 0.4 million) and EUR 0.3 million linked to the write-off of Dexia shares of Euronext Brussels.

4.5.3. CORPORATE INCOME TAX

Taxes (EUR-4.3 million)

This taxes are a result of a tax audit related to the year 2013 (EUR -4 million) and also the regularization of tax products related to the tax consolidation for an amount of EUR 0.7 million reserved to DCL.

Adjustments of income taxes(EUR 6.3million)

These tax revenues originate from the reversal of the tax provision related to the year 2013 (EUR 4 million) and also from the fact that the permanent establishment in Paris is the group head of the tax consolidation group in France, generating a economic tax saving representing a gain of EUR 1million for the year 2019.
Also to be noted is the recuperation of foreign tax economies over the previous years (EUR 1.3 million).

4.5.4. LOSS FOR THE FINANCIAL YEAR

Considering the above, the 2019 financial year closed with a loss of EUR -2 255.1 million.

4.6. Significant events after the balance sheet date, not included in the balance sheet or the income statement

Dexia is closely monitoring the development of the situation regarding the spread of the Covid-19 coronavirus around the world, particularly in Europe. The group's executive committee quickly activated the operational and strategic crisis units to protect its teams and implemented all the measures necessary to allow its teams to work remotely. The crisis unit ensures the operational continuity of the company and manages all of the impacts linked to this situation.
On the date of the financial statements of the group, the severity of the pandemic had major consequences on the financial markets, resulting in particular in very high volatility of all financial indices, a steepening of the yield curves d interest and a decline in the value of stocks and bonds affecting all categories of borrowers. Containment measures make it very complex to execute market operations. Finally, given the high uncertainty relating to the development of the crisis, the maturities sought by monetary investors have greatly shortened.
The rapid progress made to achieve the acceleration targets of the deleveraging plan, set in 2019 by the group's governance bodies, have enabled Dexia to significantly reduce the size of its commercial portfolios as well as its need for financing. As of December 31, 2019, the group had a liquidity buffer of EUR 19.4 billion enabling it to cope with market tensions and its LCR ratio amounted to 238%. Before the worsening of the crisis, the group had executed 33% of its long-term bond refinancing program and, since then, it has essentially refinanced itself via secured financing (repo).
The current crisis makes the execution of the asset disposal plan more complex and exposes the group to fluctuations in the value of assets not sold and reclassified to fair value. On the other hand, the group could suffer a deterioration in the credit quality of its asset portfolio which it is not possible to assess at the closing date of the group's financial statements. At the end of December 2019, Dexia's "Total Capital" ratio stood at 27.2%, a level above the minimum of 13.85% imposed for 2019 by the European Central Bank (ECB) as part of the supervisory review and assessment process (SREP).
As part of the fight against the crisis caused by the Covid-19 epidemic, the ECB, the Banque de France, the Banque Nationale de Belgique and the European Banking Authority (EBA) announced measures to soften the requirements prudential and operational charges weighing on credit institutions. Thus, the ECB temporarily and exceptionally authorizes banks to carry out their activities with levels of ratios which may be below the LCR liquidity ratio, requirements relating to the capital conservation cushion (requirement of 2.5% at January 1, 2020) and requirements under Pillar 2 guidance (P2G).
The High Council for Financial Stability has also decided to fully release the counter-cyclical cushion until further notice.
By incorporating these easing measures, the capital requirement applicable to Dexia increases to 11.25% on a consolidated base.
The asset repurchase programs (PEPP for the ECB) announced in a coordinated fashion by central banks and the launch of long-term financing operations (LTRO) are also aimed at supporting market liquidity.
Finally, the ECB has announced the establishment of an additional period granted to banks to implement the corrective actions resulting from previous inspections and could grant additional delays in the delivery of certain regulatory reports in order to facilitate operational continuity. The EBA has also decided to postpone the stress test exercise 2020 for all establishments to 2021. Dexia will benefit from these measures in the same way as other credit establishments.
On the closing date of its financial statements, Dexia has taken into account these various elements and concludes that they do not call into question its assessment of the group's going concern (see note on going concern).

4.7. Statement of intangible fixed assets (licences)

(in EUR)	Montants
ACQUISITION VALUE AS AT 31/12/18	622,914
Movements during the period:	
- Acquisitions, including produced fixed assets	27,225
- Sales and disposals	
ACQUISITION VALUE AS AT 31/12/19	650,139
DEPRECIATION AS AT 31/12/18	472,250
Movements during the period:	
- Recorded	114,928
- Canceled due to sales and disposals	
DEPRECIATION AS AT 31/12/19	587,178
NET BOOK VALUE AS AT 31/12/19	62,961

4.8. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/18	288,348	1,747,055	1,217,401
Movements during the period:			
- Acquisitions	0	2,428	0
ACQUISITION VALUE AS AT 31/12/19	288,348	1,749,483	1,217,401
DEPRECIATION AS AT 31/12/18	282,665	1,636,327	1,204,493
Movements during the period:			
- Recorded	1,493	52,892	4,822
DEPRECIATION AS AT 31/12/19	284,158	1,689,219	1,209,315
NET BOOK VALUE AS AT 31/12/19	4,190	60,264	8,086

4.9. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	1. Affiliated	2. Other enterprises
ACQUISITION VALUE AS AT 31/12/18	17,296,965,606	0
Movements during the period		
- Sales and disposals	0	0
ACQUISITION VALUE AS AT 31/12/19	17,296,965,606	0
AMOUNTS WRITTEN DOWN AS AT 31/12/18	14,953,824,257	0
Movements during the period:		
- Recorded	2,249,999,960	0
AMOUNTS WRITTEN DOWN AS AT 31/12/19	17,203,824,217	0
NET BOOK VALUE AS AT 31/12/19	93,141,389	0

2. AMOUNTS RECEIVABLE

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/18	0	1,550
NET BOOK VALUE AS AT 31/12/19	0	1,550
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AS AT 31/12/19	0	0

4.10. Share in the capital and other rights in other companies

List of enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at least 10% of the capital issued.

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by			Information from the most recent period for which annual accounts are available			
	The enterprise (directly)		Subsidiaries	Primary financial statement	Monetary unit	Capital and reserve	Net result
	Nombre	%	%			(+) or (-) (in monetary unit)	
Dexia Crédit Local SA - FC [1] 1, passerelle des Reflets, Tour CBX - La Défense 2 F-92919 Paris Common shares	279,213,332	100.00	0.00	31/12/18	EUR	3,278,695,721	646,943,849
Dexia Nederland BV - FC [1] Parnassusweg 819 NL-1082 LZ Amsterdam Common shares	50,000	100.00	0.00	31/12/18	EUR	140,573,000	(16,294,000)
Dexiarail SA - FC [1] 1, passerelle des Reflets, Tour CBX - La Défense 2 F-92919 Paris Common shares	9,166	100.00	0.00	31/12/18	EUR	99,376	(4,136)

(1) FC: Foreign Company

4.11. Investments : other investments and deposits

(in EUR)	Previous period	Period
Fixed income	**48,064,295**	**0**
Fixed term deposits with credit institutions	**596,000,000**	**0**
with a residual maturity or period of notice of:		
- More than one month but within one year	596,000,000	0
OTHER CASH INVESTMENTS	**0**	**633,677,126**

4.12. Deferred charges and accrued income (assets)

(in EUR)	Exercice
Deferred charges : Services and other goods	1,139,959
Accrued income: Interest	100,240

4.13. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amount (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/18	**500,000,000**	**420,134,302**
Changes during the period:	0	0
ISSUED CAPITAL AS AT 31/12/19	**500,000,000**	**420,134,302**

B. STRUCTURE OF THE CAPITAL

	Amount (en EUR)	Number of shares
Different categories of shares		
Shares without indication of nominal value, each representing 1/420,134,302th of the issued capital	500,000,000	420,134,302
- Registered shares		420,134,302
- Dematerialized shares		0

C. OWN SHARES HELD BY:

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	133	112

D. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED

Amount (in EUR)
500,000,000

E. NON REPRESENTATIVES UNITS OF CAPITAL

	Period (in EUR)
Ventilation	
- Number of shares	28,947,368
- Number of votes attached to it	0
Breakdown by shareholder	
- Number of shares held by the company itself	0
- Number of shares held by its subsidiaries	0

F. SHAREHOLDER STRUCTURE TO THE ENTRERPRISE AS AT THE ANNUAL CLOSURE THE ENTERPRISE

As it appears from the notifications received by the company in accordance with the Companies Code, article 631 §2 and article 632 §2 of the law of 2 May 2007 related to the publication of important shareholdings, article 14, paragraph 4; of the Royal Decree of 21 August 2008 fixing detailed rules concerning certain multilateral trading facilities, article 5.

Name of persons holding social rights in the company with mention of the address of the registered office for legal persons and, for companies incorporated under Belgian law, mention of the company number	Social rights held			
	Nature	Number of voting rights		%
		attached to shares	not attached to shares	
Société Fédérale de Participations et d' Investissement (SFPI) for Belgium Avenue Louise 32, boîte 4 1050 Bruxelles - Belgique N° d'entreprise : 0253.445.063	Actions	221,749,916	0	52.78
Société de Prise de Participation de l'Etat for France Rue de Bercy 139 75572 Paris Cédex 12 - France Foreign Company	Actions	196,658,798	0	46.81

4.14.Provisions for liabilities and charges

(in EUR)	Period
Provision for guarantees related to the sale of participations	37 500 000
Severance payments and related costs	13 678 915
Commitment as head of a fiscal consolidation (France)	1 759 779
Provision for the cancellation of a contract	400 000

4.15. Statements of accounts payable

Analysis of debts with an original maturity of more than one year (in EUR)	**Amounts payable after more than 5 years**
Financial debts	**39,788,000**
Subordinated loans	39,788,000

4.16. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	5,801
c) Estimated taxes payable	7,837
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	2,383,856

4.17. Accrued charges and deffered income (liabilities)

(in EUR)	Period
Accrued charges : rent	128,359
Accrued charges : taxes and rental charges	143,010
Accrued charges : interest	601
Accrued charges: insurance and car rental	37,143
Accrued income : recuperation of the database costs	88,740

4.18. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
The total amount of operational subsidies and compensatory amounts obtained from public authorities	122	2,958
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in a general personnel register in Belgium		
a) Total number at the closing date	60	60
b) Average number of employees in full-time equivalents	57,1	54,1
c) Number of actual working hours	81,900	75,149
Personnel charges		
a) Remuneration and direct social benefits	6,545,319	6,539,665
b) Employers' contribution for social security	1,730,513	1,663,997
c) Employers' premium for extra statutory insurance	610,783	589,203
d) Other personnel charges	138,558	70,925
e) Old-age and widow's pensions	7,228	7,391
Provisions for liabilities and charges		
Increases	150,838	150,840
Other operating charges		
Taxes related to operations	108,531	73,912
Other charges	134,302	133,160

4.19. Financial results

(in EUR)	Previous period	Period
RECURRING FINANCIAL INCOME		
Ventilation of the other financial income		
Exchange differences	522	0
Gain at refund of fixed-income securities	2,584,883	445,728
Capital gain on sales of fixed income securities	7,362,216	6,878,787
RECURRING FINANCIAL CHARGES		
Ventilation of the other financial charges		
Exchange differences	6,462	5,220
Other financial charges	19,185	13,278
Charges related to the quotation of the Dexia share	25,625	26,862
Storage costs	23,641	29,040
Negative interests	516,664	1,603,951

4.20. Income and expenses of exceptional size or exceptional degree of occurance

(in EUR)	Previous period	Period
NON-RECURRING INCOME	**483,089**	**4,673,395**
Non-recurring operating income	483,089	456,343
Write back of provisions for exceptional operational risks and charges	0	429,930
Other non-recurring operating income	483,089	26,413
Non-recurring financial income	0	4,217,052
Write back of provisions for exceptional financial risks and charges	0	4,000,000
Capital gains on financial fixed assets	0	217,052
NON-RECURRING CHARGES	**2,447,249**	**2,252,717,067**
Non-recurring operational charges	2,384,521	1,967,416
Provisions for exceptional operating risks and charges: increase(+) / decrease (-)	(1,723,837)	(875,404)
Other non-recurring operational charges	4,108,358	2,842,820
Non-recurring financial charges	62,728	2,250,749,651
Impairment on financial fixed assets	0	2,249,999,960
Other non-recurring financial charges	62,728	749,691

4.21. Income taxes

(in EUR)	Period
Income taxes of the current period:	**10,059**
a) Taxes and withholding taxes due or paid	10,059
Income tax of previous years	**4,320,211**
a) Additional tax due or paid	4,320,211
b) Estimated additional taxes or taxes for which a provision was formed	0
Principal sources of differences between the profit before taxes, mentionned in the accounts, and the estimated taxable profit	
a) Fiscal integration in France (PM)	1
b) impairment on a participation,non-deductible	2,249,999,959
c) Write back of non-deductible provisions, exempted	(4,970,602)
d) Exempted income	606,702
Impact of the exceptional results on the taxes on the result of the year	
Are not taxable : the impairment of a participation (EUR -2 250 000) and also the write-back of provisions (EUR +5 305 335)	2,244,694,665
Status of deferred taxes:	
Deferred taxes representing assets	4,904,297,377
Accumulated tax losses deductible from future taxable profits	4,720,712,082
Other deferred taxes representing assets	
- Surplus on depreciations	154,748
- Surplus of revenues difinitively taxed	183,430,547

4.22. Value added tax and taxes borne by third parties

(in EUR)	Previous period	Period
Total amount of value added tax charged during the period :		
1. To the enterprise (deductible)	81,637	38,663
2. By the enterprise	6	43
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	2,954,871	2,230,042
2. Withholding taxes on investment income	0	0

4.23. Rights and commitments not reflected in the balance sheet

(in EUR)	Period
Guarantees given or irrevocably promised by the enterprise on its own assets collateral for own debts and liabilities of the company	
Pledging of other assets - Book value of assets pledged	308,889

Amount, nature and form of the litigations and other off-balance commitments given
See note 4.4

If there is a supplementary retirement or survivor's pension plan in favour of the personnel or the executives of the enterprise, a brief description of such plan and of the measures taken by the enterprise to cover the resulting charges.
Members of staff benefit from a supplementary retirement and survival pension scheme for wich both employees and staff premiums have been paid to a group insurance. Some members of the Management Board also benefit from a supplementary scheme of which the contributions are paid to an external insurance company.(See note "Remuneration of the members of the Management Board" in the section "Declaration of corporate governance" of the management report).

Nature and financial impact of significant events after the balance sheet date, not taken into account in the balance sheet or income statement
The crisis linked to the spread of the Covid-19 coronavirus worldwide and particularly in Europe during the first months of 2020 should not have a significant financial impact on the statutory accounts of Dexia SA (see note 4.6.)

5. Relationships

5.1. Relationships with affiliated enterprises

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**2,343,141,349**	**93,141,389**
Participations	2,343,141,349	93,141,389
AMOUNTS RECEIVABLE	**92,853,815**	**88,633,780**
After one year	92,090,405	87,473,705
Within one year	763,410	1,160,075
CURRENT INVESTMENTS	**596,000,000**	**0**
Amounts receivable	596,000,000	0
AMOUNTS PAYABLE	**1,399,018**	**55,927**
Within one year	1,399,018	55,927
FINANCIAL RESULTS		
Income from current assets	225,964	219,178
Other financial income	7,362,216	0
Other financial charges	502,102	265,300

5.2. Transactions with related parties outside of normal market conditions

Nihil.

5.3. Relationships with directors and managers, individuals or bodies corporate who control the enteprise without being associated therewith or other enterprises controlled by the mentioned persons without being associated therewith

Amount of direct and indirect remuneration and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To the directors	1,278,899
To the former directors	3,933

5.4. Relationships with affiliated auditors

Remuneration of the Statutory Auditor	570,463
Remuneration for exceptional tasks executed within the enterprise by the Statutory Auditor	
Other missions external to the audit	0

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

7. Social report

Number of the joint commission of the company: 200

7.1. Statement of the persons employed in 2019

A. EMPLOYEES FOR WHICH THE ENTERPRISE HAS DECLARED A DIMONA-STATEMENT OR EMPLOYEES RECORDED IN THE GENERAL STAFF REGISTER

1. During the period	**Total**	**1. Male**	**2. Female**
a. Average number of employees			
full-time	45.7	28.4	17.3
part-time	14,2	11.4	2.8
TOTAL FULL-TIME EQUIVALENTS (FTE)	**54.1**	**34.4**	**19.7**
b. Number of actual working hours			
full-time	61,714	39,302	22,412
part-time	13,435	10,014	3,421
TOTAL	**75,149**	**49,316**	**25,833**
c. Personnel charges			
full-time	7,051,622	4,690,152	2,361,470
part-time	1,812,168	1,453,576	358,592
TOTAL	**8,863,790**	**6,143,728**	**2,720,062**

2. During the previous year	**P. Total**	**1P. Male**	**2P. Female**
Average number of employees in FTE	57.1	35.8	21.3
Number of actual working hours	81,900	52,258	29,642
Personnel charges	9,025,173	5,956,076	3,069,097

3. As at the closing date of the period	**Full-time**	**Part-time**	**Total of full-time equivalents**
a. Number of employees recorded in the personnel register	44	16	54.5
b. By nature of the employment contract			
Contract of indefinite period	44	16	54.5
c. According to gender and by level of education			
Male	26	13	33.9
secondary education	3	0	3.0
higher non-university education	3	1	3.5
university education	20	12	27.4
Female	18	3	20.6
secondary education	2	0	2.0
higher non-university education	2	2	3.8
university education	14	1	14.8
d. By professional category			
Management staff	6	1	6,8
Employees	38	15	47,7

7.2. Table of personnel movements during the period

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register in Belgium during the period	7	2	8.0
b. By nature of the employment contract			
Contract for an indefinite period	5	2	6.0
Contract for an definite period	2	0	2.0

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the in Belgium general staff register listed date of termination of the contract during the period	9	0	9.0
b. By nature of the employment contract			
Contract for an indefinite period	7	0	7.0
Contract for an definite period	2	0	2.0
c. According to the reason for termination of the employment contract			
Dismissal	2	0	2.0
Dismissal	7	0	7.0
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	-	-	-

7.3. Information on training provided during the financial year to employees recorded on the staff register

Total of formal continuing vocational training initiatives for workers paid by the employer	**Male**	**Female**
Number of employees involved	14	10
Number of training hours	208	250
Net costs for the enterprise (in EUR)	52,160	50,779
- whereof gross costs directly associated with the company (in EUR)	38,749	43,063
- of which contributions and payments to collective funds	13,411	7,716
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	1	5
Number of training hours	9	55
Net costs for the enterprise (in EUR)	1,900	9,057

8. Compensation Report

For companies in which the governement or one or more legal persons exercise control (Article 100 §1.6°/3 of the Company Code).

See the management report.

Report of the board of auditors to the shareholders' meeting of Dexia SA for the year ended 31 December 2019 - Annual accounts

In the context of the statutory audit of the annual accounts of Dexia SA (the "company"), we hereby submit our statutory audit report of the board of auditors. This report includes our report on the annual accounts and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 17 May 2017, in accordance with the proposal of the board of directors issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the annual accounts for the year ending 31 December 2019. Deloitte Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the annual accounts of Dexia SA for 12 consecutive periods. Mazars Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the annual accounts of Dexia SA for 3 consecutive periods.

Report on the annual accounts

Unqualified opinion

31 December 2019 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 833 004 (000) EUR and the income statement shows a loss for the year ended of 2 255 083 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2019 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the board of auditors for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 1 – The ability to continue as a going concern used for the preparation of the annual accounts *(We refer to appendix C6.20 of the financial statements.)*	
The Group's ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on 28 December 2012. This plan, further reassessed by the Board of Directors of Dexia of 19 December 2019, is based, among others, on the following assumptions: • the macro-economic assumptions underlying the business plan are revised as part of the biannual reviews of the orderly resolution plan, which also include a review of the latest observable market data and a review of the latest accounting standards and regulatory developments. In its latest update, the business plan incorporates observable market data as at 30 June 2019, as well as the non-renewal, as from 1 January 2019, of the specific approach deployed by the European Central Bank for the supervision of the Dexia Group; • the business plan assumes the preservation of the banking license of the various entities composing the Group and of the credit rating of Dexia Credit Local; • the continuation of the resolution plan assumes that Dexia Group maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian, French and Luxembourg States as well as on Dexia Group's capacity to raise secured borrowings; ; • the renewal of the guarantee by the Belgian and French States, as from the 1 January 2022, in accordance with the approval of the European Commission, dated 27 September 2019; • finally, the Group is sensitive to the evolution of its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads, of which fluctuations are likely to impact significantly the business plan; The assessment of all the elements supporting the business plan must also be made in the particular context of the current health crisis linked to the spread of the Covid-19 coronavirus throughout the world and particularly in Europe, as mentioned in the note C6.20 to the statutory financial statements In summary, there are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of the Group's operations over the duration of the resolution. However, at this stage, these uncertainties do not call into question the fundamentals of the resolution, which justifies the preparation of the consolidated financial statements and annual accounts on a going concern basis, in accordance with the financial reporting framework applicable in Belgium. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption used for the preparation of the annual accounts as of 31 December 2019 as a key audit matter.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of the Dexia Group of the Group's ability to continue as a going concern over a period of twelve months starting at the closing date of the financial year, as prescribed in the financial reporting framework applicable in Belgium: We have applied, amongst other, the following diligences prescribed by IAS 570 "Going Concern": • through discussion with management and based on the documentation made available to us, we have assessed the elements on which the 24 months-term liquidity projections were based by Dexia; • we have considered the main regulatory ratios as of 31 December 2019 (*Liquidity Coverage Ratio, Common Equity Tier 1*) in light of the requirements applicable at that date. • we have inquired of the Executive Committee and Board of Directors about the latest underlying assumptions to the revised business plan, based on end of June 2019 data and validated by the Board of Directors on 19 December 2019. As indicated in note C6.20, there are currently uncertainties surrounding the realization of this business plan which, in addition to the macro-economic factors, relate in particular to: – the conditions to access the facilities of the Eurosystem financing facilities after 2021; – the existence of new accounting or prudential rules not known to date by the Management of Dexia; – the long-term organizational and legal structure of the Dexia Group; • we have considered the quarterly reports on the (i) funding strategy and (ii) operational continuity, prepared by Dexia as requested by the European Central Bank; • Concerning the health crisis related to the Covid-19 coronavirus, we have taken note of management's assessment on its effects on the operational continuity of Dexia as of the date of closing the financial statements, and in particular on liquidity and solvency. We have also reviewed the information disclosed, in this respect, in the notes to the financial statements relating to events after closing date. Finally, we have examined the compliance with the legal and regulatory requirements of the information related to the going concern in the notes of the annual accounts

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 2 – Identification and evaluation of the provisions for legal risk related to litigations *(We refer to appendices C6.8, C6.20 and C7 of the financial statements)*	
In the context of its activities, Dexia SA is involved in a certain number of legal risks and litigations. The consequences, as assessed by the company based on the available information at closing date, of the main litigations, including those related to the '*share leasing*' activities in the Netherlands and the investigations with a potential significant outlook on the financial situation, the results or the assets of the company, are reflected in the annual accounts. The recording of a provision or contingent liability in order to cover the legal risk requires by nature the use of professional judgment due to the difficulty to estimate the outcome of litigations that may arise. Due to the nature of the current procedures against the Company and given the estimated character of the provisions, we consider the legal risk and litigations as a key audit matter.	We have assessed the adequacy of the internal control system and tested the operating effectiveness of key controls related to the process of determining the provisions for litigation. These controls mainly concern the identification of the files to be provisioned based on the motives of the dispute and the determination of the amount of the provisions estimated using the methodologies retained by the company. Our audit work has focused on the following: • we have conducted discussions with the management and more specifically the company's legal department; • we have examined the motives for the current disputes and have assessed the adequacy of the existence of provisions based on the company's assumptions; • we have assessed the principles and assumptions used by the company to estimate the amount of provisions for litigations; • we have inquired with the law firms with which Dexia is working to obtain and review the assessment made by these lawyers on the status of the litigations. Finally, we have examined the information in the appendices of the annual accounts for provisions.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 3 – Valuation of participating interests *(We refer to appendices C6.4.1, C6.5.1, C6.17, C6.19 and C6.20 of the annual accounts)*	
Participating interests, shown in the balance sheet at 31 December 2019 for a net amount of 93 million EUR. In the course of 2019, an impairment of 2 250 million EUR was booked. These interests are recognized at their acquisition cost and depreciated in the event of a permanent depreciation or impairment. Permanent depreciation or impairment is estimated by the Board of Directors based on the equity value at the end of the financial year of the entities concerned, their level of profitability and their profit forecasts. The estimation of the value of these securities requires the exercise of judgment by the Board of Directors in its choice of items to be considered, that may correspond to provisional elements. In this context, and because of the uncertainties inherent in certain elements and in particular the probability of the forecasts being met, we considered that the valuation of the participating interests was a key audit matter.	In assessing the reasonableness of the valuation of the participating interests, based on the information provided to us, our work consisted mainly in verifying that the estimation of these values determined by the Board of Directors is based on an appropriate justification of the evaluation method and the quantified elements used and to: • obtain cash flow and operating forecasts and assess consistency with the forecast data from the last strategic plan; • check the consistency of the assumptions used at the closing date of the annual accounts; • compare the forecasts retained for previous periods with the corresponding achievements to assess the achievement of past objectives. Finally, we have assessed the compliance with the legal and regulatory requirements of the available information on the financial assets presented in the notes to annual accounts.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the board of auditors for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the board of auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of annual accounts in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the board of auditors to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the board of auditors. However, future events or conditions may cause the company to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, for the documents to be filed according to the legal and regulatory requirements, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium, as well as for the company's compliance with the Companies Code, the Code of companies and associations and the company's articles of association.

Responsibilities of the board of auditors

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, those documents to be filed according to the legal and regulatory requirements and compliance with certain obligations referred to in the Companies Code, the Code of companies and associations and the articles of association, as well as to report on these matters.

Aspects regarding the directors' report and other information disclosed in the annual report

In our opinion, after performing the specific procedures on the directors' report on the annual accounts, the directors' report on the annual accounts is consistent with the annual accounts for that same year and has been established in accordance with the requirements of article 3:5 and 3:6 of the Code of companies and associations.

In the context of our statutory audit of the annual accounts we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the annual accounts is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:6, § 4 of the Code of companies and associations has been disclosed in the directors' report under section "Non-financial declaration – Corporate social responsibility" that is part of the annual report. This non-financial information has been established by Dexia SA in accordance with the law of 3 September 2017 related to the publication of non-financial information and information on diversity by large corporates and groups, which transposes Directive 2014/95/EU. In accordance with article 3:75, § 1, 6° of the Code of companies and associations, we do however not express any opinion on the question whether this non-financial information has been established in accordance with the provisions of the above-mentioned law.

Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 3:12, § 1, 8° of the Code of companies and associations, includes, both in form and in substance, all of the information required by this Code, including those relating to wages and training, and is free from any material inconsistencies with the information available to us in the context of our mission.

Statements regarding independence

• Our audit firms and our networks have not performed any prohibited services and our audit firms have remained independent from the company during the performance of our mandate.
• The fees for the additional non-audit services compatible with the statutory audit of the annual accounts, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the annual accounts.

Other statements

• Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
• The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.
• We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association, the Companies Code, or as from 1 January 2020, the Code of companies and associations.
This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.

Zaventem and Brussels, 14 April 2020
The Board of Auditors

Deloitte Bedrijfsrevisoren CVBA
Réviseurs d'Entreprises SCRL
Represented by Yves Dehogne

MAZARS Bedrijfsrevisoren BV/
Réviseurs d'Entreprises SC
Represented by Xavier Doyen

Additional information

Certificate from the responsible person

I the undersigned, Bart Bronselaer, Chief Executive Officer and Chairman of the Management Board ad interim of Dexia, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 6 April 2020

For the Management Board

Bart Bronselaer
Chief Execrutive Officer and Chairman of the Management Board ad interim
Dexia

General data

Name

The company is called “Dexia”.

Registered Office

The registered office of the company is in Belgium at Place du Champ de Mars, 5, 1050 Brussels (RPM Brussels VAT BE 0458.548.296).

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on 15 July 1996 for an indefinite period. The company has one permanent office located in Paris.

Corporate object

Article 3 of the articles of association reads as follows:

“The company has the object, both in Belgium and in other countries of:

1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;

2. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;

3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realization of its corporate object or likely to contribute to such realisation.”

Places where the public may consult documents

The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brussels and at the company’s registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company’s registered office. Decisions in relation to appointments and resignations of members of the Board of Directors are published in the Appendix to the Belgian Official Journal. Financial notices concerning the company are published on its website (www.dexia.com). The convocations to Shareholders’ Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

Dexia's annual report 2019 has been published by the Group's Communication department.
This report is also available in Dutch and French.
In case of discrepancy between the English, the French and the Dutch versions of the Annual Report, the text of the French version shall prevail.
Due to environmental and cost concerns, Dexia decided not to print its annual report. It can be downloaded on www.dexia.com.

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FINANCIAL CALENDAR

Shareholders' meeting for the year 2019
20 May 2020

Results as at 30 June 2020
10 September 2020