Press release

DEXIA

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Dexia Group Consolidated Results 2020[1]

Operational continuity fully assured and resilience of funding against the background of the crisis linked to the Covid-19 pandemic

- *Priority given to the protection of teams*
- *Rapid deployment of an operational crisis unit and the exceptional commitment of staff members*
- *Resilience of funding assured without recourse to central bank facilities*
- *Reaffirmation of the going concern principle*

Continuing reduction and proactive management of the balance sheet

- *Balance sheet total of EUR 114.4 billion as at 31 December 2020, down 5% over the year*
- *Implementation of the asset disposal programme under volatile market conditions: 70% of the target set for the end of 2022 already reached by the end of 2020*
- *Advances in the simplification of the Dexia network in the United States and in Italy*

Net income of EUR -618 million as at 31 December 2020 against EUR -898 million as at 31 December 2019

- *Recurring income (EUR -475 million) integrating a contained impact of the cost of risk (EUR -169 million): good intrinsic quality of the credit portfolio less exposed to sectors sensitive to the crisis*
- *Accounting volatility items (EUR -31 million): impact of the crisis on the financial markets at the end of March attenuated in the second half of the year*
- *Non-recurring elements (EUR -112 million) principally associated with the balance sheet reduction and the Group's transformation*

Robust Total Capital Ratio at 28.5% as at 31 December 2020

Pierre Crevits, CEO of Dexia, stated, *"2020 has been marked by a health crisis with unprecedented social and economic repercussions. Against that background, the Group rapidly mobilised to protect the health of its staff members, who continued to exert a great deal of energy to carry out our mission: to reduce the Group's balance sheet in an orderly manner, in the interests of all stakeholders. This crisis has affected us all in different ways and has reminded us of the importance of values such as agility, trust, cohesion and commitment to the general interest, which form the basis of the Group's leadership model."*

Gilles Denoyel, Chairman of the Board of Directors of Dexia, said, *"I would like in particular to pay tribute to the considerable work accomplished by the management and teams during this year so deeply marked by a crisis unparalleled in its intensity and duration. The very strong mobilisation of everyone has enabled the Group not only to ensure the continuity of its activities, but also to pursue the implementation of its orderly resolution, with the full support of its Board of Directors and the support of the two State shareholders."*

[1] *The data in this Press Release are not audited.*

Introduction

The year 2020 was strongly marked by the Covid-19 pandemic which resulted in a health and economic shock of unprecedented magnitude. The lockdown measures taken by many governments to stop the spread of the virus led to a collapse in global activity and extreme volatility on the financial markets.

The crisis had repercussions on the Group's earnings and solvency, particularly in the first half of the year. The Group therefore had to record an additional charge in cost of risk, although this remained limited given the good quality of its asset portfolios and its relatively low exposure to credit sectors identified as “sensitive”. Dexia also recorded additional value adjustments in regulatory capital for the Prudent Valuation Adjustment (PVA). The impact of these items on regulatory capital was nevertheless largely offset by the rapid easing measures taken by supervisors.

In the second half of 2020, the improvement in market conditions enabled the Group to continue actively to manage its balance sheet and off-balance sheet, after a slowdown at the height of the crisis. In addition, the Group's funding was carried out smoothly and without recourse to central bank refinancing, in line with the strategy deployed since 2017.

The Board of Directors of Dexia SA met on 3 March 2021 and approved the income statement and balance sheet of Dexia SA for the financial year 2020. The annual report of the Dexia Group will be published on 30 April 2021 on the website *www.dexia.com*.

1. Highlights

- *Multiple implications linked to the Covid-19 pandemic: priority given to the protection of teams, operational continuity fully assured and resilience of the funding model*
- *Proactive management of the balance sheet, off-balance sheet and risks*
- *Continuing simplification of the international network*
- *Alteration of the terms of supervision of the Group and the evolution of governance*

A. Implications relating to Covid-19

From the very beginning of the crisis, Dexia has closely followed the evolution of the situation linked to the spread of Covid-19 throughout the world and particularly in Europe. The Group's Management Board rapidly activated an operational and strategic crisis unit to protect its teams. The efficient deployment of the necessary means and the exceptional mobilisation of the teams quickly enabled all staff members to work remotely. The department in charge of monitoring operational risks was fully involved in the coordination of this system, thus ensuring the continuity of all activities within a reinforced security framework.

In addition to the operational aspects, this unprecedented crisis has had multiple repercussions on the Group's organisation, business and results. In particular, the Group's funding model proved highly resilient at the height of the crisis. These elements are detailed in Appendix 2 and in the various sections of this Press Release.

B. Proactive management of the balance sheet, off-balance sheet and risks

Ongoing asset sales, albeit in more reduced volumes

While 2019 had seen a sharp acceleration in asset sales under very favourable market conditions, in 2020, the implementation of the asset disposal plan was impacted by the crisis caused by the Covid-19 pandemic. This resulted, from March 2020, in a widening of credit spreads affecting all asset classes and a sharp contraction of liquidity. During the second half of the year, the various very ambitious buyback programmes implemented by the central banks led to a restoration of liquidity in many market segments and an improvement in general credit conditions. From September 2020, the almost general return to normal market conditions enabled the Group fully to resume its asset disposal activities.

As a result, at the end of December 2020, asset portfolios were down EUR 9 billion compared to the end of December 2019, by virtue of EUR 4.7 billion of disposals and early redemptions.

Over the year, the proportion of assets sold denominated in non-euro currencies remained significant, but was down compared with 2019, which saw strong activity in the sale of assets denominated in US dollars as part of the reduction and simplification of Dexia Crédit Local's activities in the United States. The average life of the assets sold remains long (9 years).

Disposals were mainly concentrated in project and corporate finance (EUR 2.2 billion) and public sector assets (EUR 2.1 billion). Despite a difficult market context, Dexia successfully launched the 6th and 7th tranches of its programme to sell loans to French local authorities and sold 371 loans for an outstanding amount of EUR 1.0 billion[2].

More than 30 “complex” operations were simplified in 2020. These include, for example, the early repayment of revolving credits or the restructuring of credits indexed on structured indices. This contributes to the further simplification of the commercial portfolio.

Since the implementation of the new asset disposal programme in July 2019, the Dexia Group has negotiated disposals and early redemptions corresponding to approximately 70% of the target set in terms of nominal reduction.

Proactive off-balance sheet management

In 2020, the Group launched a programme to reduce its derivatives portfolio, including multiple downsizing exercises to simplify operational management.

In addition, around forty interest rate swaps with customers, mainly in connection with project financing transactions, were unwound early, which contributes to reducing and simplifying outstanding derivative transactions with customers.

Reclassification of an asset portfolio at fair value

On 19 July 2019, the Board of Directors approved the implementation of a new asset disposal programme aimed at reducing the Group's liquidity risk and its exposure to certain targeted counterparties while enabling it to preserve its solvency. In accordance with the IFRS 9 accounting standard, this change of management intent resulted in a change of the economic model and therefore the reclassification of the assets concerned on 1 January 2020.

The assets concerned, which had been classified at amortised cost upon first-time application of IFRS 9, were reclassified at fair value through profit or loss or equity, resulting in an impact of EUR -196 million on equity

[2] *It is to be noted that 21 loans, for an outstanding of EUR 190 million, were sold in 2020 with a settlement date in 2021.*

via EUR -104 million on the income statement and EUR -92 million on the OCI reserve, respectively. This reclassification also increases the Group's sensitivity to changes in the fair value of those assets as long as there is no disposal of them.

Over the year 2020, in addition to the impact of the reclassification mentioned above, the variation in the fair value related to the high volatility on the markets is reflected, for assets reclassified and not sold in 2020, in an impact on the income statement of EUR -64 million, recorded in accounting volatility items.

Reduction of the sensitivity of the balance sheet and result to market parameters

For several years, Dexia has pursued an active ALM risk management policy, aimed in particular at reducing the sensitivity of its balance sheet and profitability trajectory to certain market parameters. Although more complex to execute given the market circumstances, this risk hedging programme has continued in a good dynamic in 2020 under the guidance of the Asset-Liability Management Committee (ALCO).

Indeed, during the year, actions were taken materially to reduce the sensitivity of the net interest margin to the most sensitive market parameters.

All these actions also help to reduce the magnitude of potential stress on the Group's solvency.

C. Ongoing simplification of the international network

United States

The project to transform the New York branch of Dexia Crédit Local was completed in 2020. After having successfully transferred the asset portfolios as well as the associated financing and derivatives in 2019, Dexia proceeded on 30 April 2020 with the transfer of the entire residual balance sheet to the Dexia Crédit Local head office in Paris. This included staff costs, tax accounts and the entity's residual equity. The transformation of the branch into a representative office and the withdrawal of the banking licence took place on 30 November 2020.

Following the successful transformation of the New York branch of Dexia Crédit Local, the Group's footprint in the United States consists of a representative office and Dexia Holdings Inc. which owns Dexia Financial Products Holdings Inc. and FSA Global Funding Ltd. As at 31 December 2020, the balance sheet of these entities amounted to EUR 2 billion. It mainly comprises securities on the assets side and Guaranteed Investment Contracts (GICs) and intra-group refinancing on the liabilities side.

The Group has undertaken the restructuring of these entities. To this end, a first asset portfolio of EUR 253 million was transferred from Dexia Financial Products Holdings Inc. to the headquarters of Dexia Crédit Local in Paris in November 2020. Dexia will continue this simplification process in 2021.

Italy

Over the year Dexia continued to examine different strategic options for the future of Dexia Crediop.

On 8 September 2020, Dexia finalised the acquisition of the remaining shares of Banco BPM SpA and BPER Banca SpA in Dexia Crediop. At the end of this operation, Dexia Crédit Local owns 100% of its Italian subsidiary.

The Group then undertook actions to restructure its subsidiary, including a review of its funding mix.

In addition, on 11 December 2020, Dexia Crédit Local strengthened the equity of Dexia Crediop through a capital increase of EUR 75 million and the granting of a subordinated (Tier 2) loan of EUR 25 million for a period of five years.

Finally, on 17 February 2021, in a press release issued by Dexia Crediop, Dexia announced the sale of a portfolio of assets amounting to approximately EUR 3.2 billion of nominal value[3], composed of loans, bonds and derivatives, which will be taken over by Dexia Crédit Local at book value during 2021.

D. Alteration of the terms of supervision of the Dexia Group and evolution of governance

Alteration of the terms of prudential supervision within the framework of the Group's resolution

As the framework for the supervision of Significant Institutions (SI), adapted to large, active banking institutions, is no longer really suitable for a bank in resolution like Dexia, the European Central Bank (ECB) has proposed a change in the methods of prudential supervision of the Group.

Indeed, as of 1 July 2020, Dexia has left the group of significant institutions directly supervised by the ECB via the Joint Supervisory Team (JST) and is now placed, as a "Less Significant Institution" (LSI) within the framework of the single supervisory mechanism, under the supervision of the Autorité de Contrôle Prudentiel et de Résolution (ACPR), as the consolidating supervisor and the National Bank of Belgium (BNB).

At an entity level, Dexia Crédit Local is supervised by ACPR and Dexia Crediop by the National Bank of Italy.

The Group maintains regular and transparent relations with the supervisory authorities, in particular since the acceleration of the Covid-19 crisis.

Evolution of the Group's governance

On 20 May 2020, Dexia's Annual Shareholders' Meeting approved the appointment of Pierre Crevits as director. The Dexia Board of Directors then appointed him as Chief Executive Officer and Chairman of the Management Board of Dexia[4].

Bart Bronselaer, who served as interim Chief Executive Officer until 20 May 2020, was co-opted by the Board of Directors as non-executive director on 9 September 2020. On 9 September 2020, Dexia's Board of Directors also co-opted Claire Vernet-Garnier as non-executive director of Dexia, replacing Claire Cheremetinski. Bertrand Dumont resigned from the Board of Directors on 29 October 2020.

As the governance of Dexia and Dexia Crédit Local is integrated, Pierre Crevits is also Chief Executive Officer and Chairman of the Management Board of Dexia Crédit Local, Bart Bronselaer has been a non-executive director of Dexia Crédit Local since 9 September 2020, and Claire Vernet-Garnier has been a representative of the French State, director of Dexia Crédit Local since 21 September 2020.

E. Other significant events

Confirmation of the ratings of Dexia Crédit Local and State-guaranteed debt

In June 2020, the three rating agencies (Fitch, Moody's and S&P) confirmed Dexia Crédit Local's ratings, with a stable outlook. The rating of the guaranteed debt issued by Dexia Crédit Local was also confirmed at AA- (Fitch), Aa3 (Moody's) and AA (S&P) (cf. Appendix 9 to this Press Release for the rating table).

Regular contacts are organised with the rating agencies as part of the annual review of ratings, but also in response to current events within the Group or external events which could have an impact on the Group.

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[3] *Corresponding to EUR 4.2 billion of book value*
[4] *Cf. Dexia Press Release dated 20 May 2020,available atwww.dexia.com*

Departure of the United Kingdom from the European Union (Brexit)

Dexia continues to pay particular attention to the evolution of the situation in the United Kingdom, following the country's exit from the European Union on 31 December 2020.

On that date, Dexia's exposure to the United Kingdom amounted to EUR 20.6 billion. These assets are of very good credit quality, with 98% rated Investment Grade. The portfolio notably includes EUR 10.2 billion of exposures to the local public sector and EUR 6.6 billion of exposures to the project finance sector and corporates, mainly public sector related, including utilities, which are a priori not very sensitive to the consequences of the exit of the United Kingdom from the European Union. Sovereign exposure is negligible.

As at 31 December 2020, Dexia has reduced its liquidity requirement in pounds sterling and extended the maturity of its funding in the event of an increase in market volatility and a tightening of access to the post-Brexit refinancing market in that currency. Dexia also transferred approximately EUR 17 billion of bilateral derivative notional amounts with UK counterparties to European counterparties and finalised its membership of Eurex OTC Clear, the European clearing house.

Reform of the reference indices (IBOR)

In order to increase the reliability and transparency of short-term reference rates (IBOR), a reform has been undertaken at a global level aimed at replacing these indices with new nearly risk-free rate benchmarks such as ESTR (EUR), SOFR (USD) and SONIA (GBP).

Dexia is exposed to the IBOR indices, mainly in euros, US dollars and pounds sterling, through financial instruments which will be replaced or modified within the context of this reform by replacing the reference interest rate. Where appropriate, the solidity of the contracts concerned is reinforced by the insertion of replacement clauses (fall-back clauses), setting out the terms and conditions for replacement in the event of the cessation of a reference interest rate.

The Group has instructed a steering committee to monitor the market and the various developments relating to this reform. The objective is to anticipate the consequences of the transition to the new reference rates as well as possible by managing the stock of existing contracts. Dexia also carried out legal analyses of the contracts concerned by the reform, analyses of the financial impact of the replacements and the necessary modifications from an operational point of view (IT services).

Concerning Dexia's derivative contracts processed with clearing houses, the transition from EONIA to ESTR (EUR) for cash collateral remuneration took place on 27 July 2020. The move from Federal Funds to SOFR (USD) took place on 19 October 2020 and impacted the valuation of those derivatives. As the change in the fair value of the derivatives is offset by the payment or receipt of cash collateral, this changeover has not had any impact on Dexia's income statement.

As at 31 December 2020, the amendments to the financial contracts concerned by the reform of the reference indices had no material consequences on the Dexia financial statements.

2. Annual results 2020

- *Reaffirmation of the going concern principle despite the severe context of the Covid-19 crisis*
- *Recurring elements (EUR -475 million): contained impact on the cost of risk (EUR -169 million) following the implementation of the macroeconomic scenario determining the expected credit losses and the review of sensitive sectors*
- *Over the year, limited impact of accounting volatility items (EUR -31 million) after a shock recorded in the first half-year 2020*
- *Non-recurring elements (EUR -112 million) principally associated with the strategy of balance sheet reduction and Group transformation.*

A – *Presentation of the consolidated financial statements of Dexia as at 31 December 2020*

Going concern

The condensed consolidated financial statements of Dexia as at 31 December 2020 have been prepared in accordance with the accounting rules applicable to the situation of a going concern in accordance with IAS 1 § 25 and 26. This assumes a number of constitutive assumptions made in the business plan underlying the Dexia Group's resolution, which are developed in Appendix 1 to this Press Release.

Change in the presentation of net interest margin

For the sake of simplification and consistency, Dexia has modified the presentation of the net interest margin as of 31 December 2020. Interest on trading derivatives measured at fair value through profit or loss (excluding economic hedging derivatives which are held for risk management purposes but for which hedge accounting is not applied) is now recorded on the line “Net gains (losses) on financial instruments at fair value through profit or loss” and no longer in “Interest income” and “Interest expense”. Figures as at 31 December 2019 have been restated.

Furthermore, the analytical segmentation has also been reviewed and this interest, previously recognised in recurring income, is now included in the accounting volatility items.

The figures as at 31 December 2019 have been restated for comparison purposes.

B – Dexia Group consolidated results 2020

In order to facilitate the reading of these results and to measure the dynamics over the year, Dexia breaks down its result into three distinct analytical segments.

Analytical presentation of the results of the Dexia Group (non-audited figures)

	2019 (1)	2020			
in EUR million	**Total**	**Total**	**Recurring elements**	**Accounting volatility elements**	**Non-recurring elements**
Net banking income	***-745***	***-216***	***1***	***-31***	***-186***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	*-380*	*-334*	*-307*	*0*	*-27*
Gross operating income	**-1.125**	**-550**	***-306***	***-31***	**-213**
Cost of credit risk	*265*	*-169*	*-169*	*0*	*0*
Net gains or losses on other assets	*0*	*101*	*0*	*0*	*101*
Net result before tax	***-860***	***-618***	***-475***	***-31***	***-112***
Income tax	*33*	*-1*	*-1*	*0*	*0*
Result from discontinued operations, net of tax	*-111*	*0*	*0*	*0*	*0*
Net income	**-938**	**-619**	***-476***	***-31***	**-112**
Minority interests	*-40*	*-1*	*-1*	*0*	*0*
Net income, Group share	***-898***	***-618***	***-475***	***-31***	***-112***

(1) 2019 restated

The net income, Group share of EUR -618 million as at 31 December 2020 consists of the following elements:

- EUR -475 million allocated to recurring elements[5] ;
- EUR -31 million associated with accounting volatility items[6] ;
- EUR -112 million generated by non-recurring elements[7].

[5] *Recurring elements associated with the carry of assets such as portfolio income, funding costs, operating charges, cost of risk and taxes*
[6] *Accounting volatility items 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).*
[7] *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 or exceptional operational taxes.*

Recurring elements

Recurring elements (non-audited figures)		
in EUR million	***2019*** *[(1)]*	***2020***
Net banking income	***24***	***1***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-347***	***-307***
o/w Expenses excl. operational taxes	*-285*	*-243*
o/w Operational taxes	*-62*	*-64*
Gross operating income	***-323***	***-306***
Cost of credit risk	*265*	*-169*
Net result before tax	***-58***	***-475***
Income tax	*33*	*-1*
Net income	***-25***	***-476***
Minority interests	*-40*	*-1*
Net income, Group share	***15***	***-475***

(1) 2019 restated

Net income Group share generated by recurring elements was EUR -475 million as at 31 December 2020, compared to EUR +15 million at the end of December 2019.

Net banking income mainly reflects the net interest margin, which corresponds to the cost of carrying assets as well as the Group's transformation result. Over the year, the net interest margin decreased by EUR 19 million compared to 31 December 2019, to EUR +12 million at the end of 2020, mainly due to the persistence of historically low interest rates.

Expenses amounted to EUR -307 million, down EUR 40 million compared to 31 December 2019. This essentially reflects efforts to control general operating expenses, notably related to the simplification of the international network. In 2019, expenses were particularly impacted by transformation costs, related to the renewal of the IT infrastructure. Taxes and regulatory contributions were stable year-on-year at EUR -64 million.

In 2019, the positive cost of risk (EUR +265 million) reflected the dynamic of disposals of commercial assets, part of which were reversed through provisions. In 2020, it amounted to EUR -169 million and is mainly composed of:

- a charge of EUR -96 million directly related to the Covid-19 crisis. Recorded in the first half of 2020, this charge includes EUR -78 million of collective provisions resulting from the update of the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 (cf. Appendix 2 of this Press Release) and EUR -14 million of collective provisions following the review of sensitive sectors carried out by the Group. Following this review, Dexia has systematically classified in Stage 2 all counterparties likely to be weakened by the crisis: airports, corporate real estate, French overseas and mountain communities, oil and gas, tourism and entertainment and student housing financing in the United Kingdom. In addition, counterparties rated Non-Investment Grade in the private

healthcare sector in France have also been classified in Stage 2. Finally, exposures belonging to other sectors, already identified as sensitive before the crisis, have also been included in Stage 2 despite their higher rating quality: parking and port infrastructure, toll freeways, public transportation and real estate;

- collective provisions on Tunisia, recorded in the second half of 2020 in a net amount of EUR -51 million, following the implementation of new macroeconomic scenarios for the evaluation of expected credit losses under IFRS 9 and the downgrading of the Tunisian sovereign's rating from B+ to B.

Overall, the increase in collective provisions attributable to the pandemic is mainly concentrated, in descending order, on the lowest rated sovereigns, the “project finance” and “corporates” sectors weakened by the health crisis, and the lowest rated financial institutions. In line with historical observations, the level of risk on public entities in Western Europe remains limited. In the United States, the level of risk is more widely dispersed. At this stage, Dexia does not expect a significant increase in provisions on eurozone sovereigns.

Income tax amounted to EUR -1 million.

Accounting volatility items

Accounting volatility items generate an impact of EUR -31 million at the end of December 2020, compared to EUR -58 million at the end of December 2019. The shock associated with the Covid-19 crisis recorded at the end of March 2002 was strongly attenuated by the improvement of the markets in the following three quarters.

The negative result for the half-year is mainly explained by:

- The variation in the value of assets classified at fair value through profit or loss for an amount of EUR -69 million. The crisis led to a significant increase in credit spreads from mid-March onwards. This dynamic was partially reversed in the second half of 2020, leading to a gradual tightening of credit spreads in many market segments.
- A favourable evolution of the Funding Value Adjustment (FVA), Credit Value Adjustment (CVA) and Debt Valuation Adjustment (DVA) for a total amount of EUR +35 million.

Non-recurring elements

Non recurring elements (non-audited figures)		
in EUR million	***2019*** [(1)]	***2020***
Net banking income	***-711***	***-186***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-33***	***-27***
o/w Expenses excl. operational taxes	*-31*	*-26*
o/w Operational taxes	*-2*	*-1*
Gross operating income	***-744***	***-213***
Cost of credit risk	*0*	*0*
Net gains or losses on other assets	0	101
Net result before tax	***-744***	***-112***
Income tax	*0*	*0*
Result from discontinued operations, net of tax	*-111*	*0*
Net income	***-855***	***-112***
Minority interests	*0*	*0*
Net income, Group share	***-855***	***-112***

(1) 2019 restated

Non-recurring elements amounted to EUR -112 million as at 31 December 2020 against EUR -855 million in 2019, characterised by an acceleration of asset disposals and the sale of Dexia Kommunalbank Deutschland.

In 2020, these items include in particular:

- An impact of EUR -104 million related to the reclassification of targeted assets under the asset disposal programme from the “amortised cost” category to the “fair value through profit or loss” category. This reclassification, which took place on 1 January 2020, follows a change in the intent for management of the assets in question, which leads to a change in the IFRS economic model (cf. section “Reclassification of an asset portfolio in fair value”).
- Losses related to asset disposals and, to a lesser extent, liability repurchases for an amount of EUR -72 million.
- A net gain on other assets, linked to the recycling via the income statement of a EUR 101 million translation difference carried by the equity of Dexia Crédit Local New York, following the transfer of the entity's residual balance sheet to Dexia Crédit Local on 30 April 2020. This translation difference reflects the evolution of the US dollar between 31 December 2020 and the various historical periods in which the equity was built up.

3. Evolution of the Group's balance sheet, solvency and liquidity situation

A – Balance sheet and solvency

- *Balance sheet down 5% compared to the end of 2019, to EUR 114 billion as at 31 December 2020*
- *Total Capital Ratio at 28.5% as at 31 December 2020, against 27.2% as at 31 December 2019*
- *Prudential equity impacted by the effects of the crisis related to Covid-19*

a – Annual balance sheet evolution

As at 31 December 2020, the Group's consolidated balance sheet total amounted to EUR 114.4 billion, compared to EUR 120.3 billion as at 31 December 2019, a decrease of EUR 6 billion, mainly due to the reduction in commercial assets.

The portfolio of commercial assets now stands at EUR 41 billion, consisting of EUR 22 billion in bonds and EUR 19 billion in loans, mainly denominated in euros. It principally includes exposures to the Italian sovereign and the European public sector (France, Italy, Spain, Portugal) as well as residual portfolios of UK, US and Japanese assets.

On the assets side and at constant exchange rates, the decrease in the balance sheet is explained by the reduction of the asset portfolio (EUR -7.7 billion). Over the year, the impact of fair value items and posted cash collateral was limited (EUR +1.2 billion), despite very high volatility during the year.

On the liabilities side and at constant exchange rates, the balance sheet evolution is mainly reflected by the reduction in the stock of market financing (EUR -3 billion), the impact of fair value items and collateral cash received being negligible.

Over the year, the impact of exchange rate fluctuations on the balance sheet was significant and amounted to EUR -2.5 billion given the appreciation of the euro, particularly against the US dollar and the pound sterling.

b - Solvency

As at 31 December 2020, Dexia Total Capital amounted to EUR 6.9 billion, compared to EUR 7.4 billion as at 31 December 2019. It is burdened by the negative net income for the year (EUR -618 million).

The Group's solvency was impacted by the effects of the Covid-19 crisis. Indeed, additional value adjustments taken into account in regulatory capital within the context of the Prudent Valuation Adjustment (PVA) amounted to EUR -190 million as at 31 December 2020, despite a positive impact of EUR +59 million related to the increase in the diversification factor provided for by the temporary adjustment to the CRR (Quick Fix CRR) validated by the European Parliament in June 2020 (cf. Appendix 2 of this Press Release).

Dexia also made use of the temporary adjustment to the CRR to reintegrate into regulatory capital any new expected credit losses recognised under IFRS 9 (dynamic phase-in), resulting in a positive impact of EUR +152 million. The temporary neutralisation of changes in fair value of certain sovereign and public sector assets classified at fair value through equity also had a positive impact of EUR +10 million on the level of regulatory capital.

In addition, in line with ECB requirements, two significant items are deducted from regulatory capital at the end of 2020.

- The theoretical amount of loss corresponding to the remediation of the non-compliance with the large exposure ratio which, as at 31 December 2020, amounts to EUR -75 million[8];

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[8] *Cf. Dexia Press Release dated 5 February and 26 July 2018, available at www.dexia.com.*

- The amount of irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, is EUR -59 million.

Finally, following its on-site inspection of credit risk which it conducted in 2018, the ECB issued a number of recommendations. As a consequence, Dexia deducted from its prudential capital an amount of EUR -41 million as additional specific provisions.

As at 31 December 2020, risk-weighted assets amounted to EUR 24.2 billion against EUR 27.3 billion at the end of December 2019, of which EUR 22.2 billion for credit risk, EUR 1 billion for market risk and EUR 1 billion for operational risk. Over the year, credit risk-weighted assets decreased by EUR 0.9 billion. The decrease due to the reduction of the commercial asset portfolio is partially masked by the EUR 3.2 billion increase induced by the changeover to the standard method for the valuation of these weighted assets in March 2020. Market risk-weighted assets decreased by EUR 2.2 billion, mainly due to the reversal of an additional capital charge recorded as at 31 December 2019 at the request of the ECB.

Taking these elements into account, Dexia's Common Equity Tier 1 ratio was 28.1% as at 31 December 2020, compared to 26.8% at the end of 2019. The Total Capital ratio was 28.5%, compared to 27.2% at the end of 2019, a level above the minimum of 15.25% required for the year 2020 by the ECB within the context of the Supervisory Review and Evaluation Process (SREP) and temporarily reduced to 11.25% as part of the temporary easing measures related to the Covid-19 pandemic (cf. Appendix 2 of this Press Release).

As at 31 December 2020, Dexia Crédit Local's Common Equity Tier 1 and Total Capital ratios were also above the minimum requirements at 24.5% and 24.8% respectively.

On 7 January 2021, the ACPR informed Dexia that, in the absence of any significant change in its risk profile and in order to take into account the exceptional circumstances generated by the current health crisis, the total capital requirement of 11.25% was maintained in 2021.

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

B – Evolution of the Group’s liquidity situation

- *Resilience of the refinancing model within a context of high market stress*
- *Good momentum in the long-term funding programme and the Group's ability to mobilise its liquidity reserve on the secured debt market*
- *High level of LCR without recourse to ECB facilities, in line with the strategy validated in 2017*

Despite the strong market turbulence caused by the Covid-19 pandemic in the first half of the year, Dexia did not experience any disruption in its refinancing and liquidity management.

Dexia's model, based on a diversification of funding sources, both in terms of instruments and currencies, and the maintenance of a large liquidity reserve, proved to be sound during this crisis year.

After a first quarter severely disrupted by the impacts of the pandemic, the markets stabilised from April onwards. At the height of the crisis, refinancing was carried out on the secured funding market, which demonstrated very strong resilience in terms of both volume and price. Guaranteed issuance activity enjoyed good momentum in both the short and long term from the second quarter of 2020 onwards. Dexia Crédit Local successfully launched various long-term public transactions in euros, US dollars and pounds sterling, enabling it to complete the entirety of its annual long-term funding programme, namely EUR 4.5 billion, by the month of September at a competitive funding cost.

Overall, outstanding funding decreased by EUR 4.6 billion compared to 31 December 2019, to EUR 69.3 billion as at 31 December 2020, due to the lower funding requirement resulting from the reduction in the asset portfolio. Net cash collateral increased by EUR 1 billion compared to 31 December 2019 to EUR +22.9 billion as at 31 December 2020, with high volatility during the year and a peak at EUR +24.6 billion as at 30 June 2020.

In terms of funding mix, secured funding amounted to EUR 12 billion as at 31 December 2020 and State-guaranteed funding accounted for 80% of outstanding funding, i.e. EUR 55.4 billion.

In line with the strategy followed since 2017, Dexia did not call on the refinancing operations of the European Central Bank, confirming its ability to mobilise its reserves on the repo market and to issue State-guaranteed debt, including in the context of the particularly severe crisis linked to the Covid-19 pandemic.

As at 31 December 2020, the Group's liquidity reserve amounted to EUR 18.5 billion, of which EUR 11 billion was in the form of cash.

At the same date, the Group's Liquidity Coverage Ratio (LCR) was 222% compared to 238% at 31 December 2019. This ratio is also respected at a subsidiary level, each exceeding the required minimum of 100%. The Group's Net Stable Funding Ratio (NSFR) was 136.2%, compared with 130.4% as at 31 December 2019.

Appendices

Appendix 1 – Going concern

The consolidated financial statements of Dexia as at 31 December 2020 were prepared in line with the accounting rules applicable to a going concern in accordance with the accounting standards 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 reassessed on the basis of the elements available on the date on which the financial statements were approved.

The assumptions and estimates made by management for the preparation of the consolidated financial statements as at 31 December 2020 have changed compared to the 2019 financial year-end.

The main assumptions and areas of uncertainty, reinforced in particular by the situation related to the Covid-19 pandemic, are summarised below:

- The business plan assumes the maintenance of the banking licence of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at a level equivalent to or higher than the level of Investment Grade.
- 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 European Commission's confirmation of the extension of the liquidity guarantee granted by the Belgian and French States beyond 31 December 2021, for a maximum amount of EUR 75 billion, is an essential element of support for the continuation of the Group's orderly resolution.
- Although managing these risks very proactively, the Dexia Group is also very sensitive to changes in the macroeconomic environment and market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters over time could have an adverse impact on the Group's liquidity and solvency levels. It could also have an impact on the valuation of financial assets, liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through shareholders' equity and could lead to a change in the Group's regulatory capital.
- In particular, considering the decisions taken by the Board of Directors in 2019, relating to the implementation of an asset disposal plan for a total of approximately EUR 13 billion[9], Dexia is exposed to the evolution of the fair value of these assets until their effective disposal.
- Furthermore the Group is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been increased by the teleworking environment imposed by the Covid-19 pandemic.
- Finally, residual uncertainties related, for example, to new changes in accounting and prudential rules over the duration of the Group's resolution could lead to a significant change in the resolution path initially anticipated.

In assessing the appropriateness of a going concern, management has examined each of these assumptions and areas of uncertainty.

- Since the Group's entry into orderly resolution, Dexia has continuously reduced its funding requirements and extended the maturity of the funding raised, with a view to prudent management of its liquidity. The acceleration of asset sales decided during the summer of 2019 has notably enabled

[9] *Impact on debt reduction in 2022 of the plan validated by the Board of Directors on 19 July 2019.*

a EUR 4.6 billion reduction in the Group's funding requirements compared to the end of December 2019, supported by the rapid reduction in the US dollar funding requirement.

In 2020, despite the particularly severe crisis context linked to the Covid-19 pandemic, Dexia executed its entire long-term refinancing programme on terms close to its budgetary target. The Group also demonstrated its ability to mobilise significant liquidity reserves on the secured debt market, which remained active, without recourse to the facilities of the European Central Bank (ECB). Indeed, Dexia was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017[10] and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash.

Furthermore, in 2021 Dexia executed two long-term public transactions in euros and pounds sterling for EUR 1.5 billion and GBP 750 million respectively, representing almost half of the long-term funding programme planned for the year.

- As part of the half-yearly reviews of the Group's financial trajectory, and within the specific context of the Covid-19 pandemic, an update of the financial projections was made and presented to Dexia's Board of Directors on 14 December 2020. In particular it includes a “central” macroeconomic scenario, based on the ECB's reference scenario, broadly comparable to the forecasts published by the European Commission in November 2020. This scenario foresees a gradual economic recovery from 2021 onwards, with no return to the pre-crisis situation before 2023 and a prolonged period of very low interest rates, which translates into an increase in the cost of risk and the Group's funding requirements compared to the pre-crisis scenario, and a continued erosion of its transformation result.

  Furthermore, In order to take account of the macroeconomic uncertainty surrounding the central scenario, Dexia has developed an improved scenario and an adverse scenario. They take into account a difference of two standard deviations on macroeconomic indicators for a projection horizon of three years. This difference is calibrated by comparing the macroeconomic projections of past years with the macroeconomic evolutions actually observed. The resulting expected credit losses are thus obtained by weighting the central scenario with the improved scenario and the adverse scenario, within this range of uncertainty. For Dexia's credit portfolio, since expected losses are globally more sensitive to the adverse scenario than to the improved scenario, the taking into account of the uncertainties surrounding the central scenario is reflected by a net increase in provisions, compared to the central scenario alone.

  At the closing date of the Group's annual consolidated financial statements, the impact on Dexia Group's cost of risk remains contained, at EUR -169 million. The increase in collective provisions attributable to Covid-19 is mainly concentrated, in decreasing order, on the lowest rated sovereigns, the “project finance” and “corporates” sectors weakened by the health crisis and the lowest rated financial institutions. At this stage, Dexia does not expect any significant increase in provisions on eurozone sovereigns.

- Management has also taken into account the constraints and uncertainties of its operating model as well as the going concern risks inherent to Dexia's specific character as a bank in resolution. Within the specific context of the Covid-19 pandemic, management has taken appropriate measures to mitigate this risk, in particular by setting up a crisis unit and deploying teleworking in order to protect its teams. All of the work carried out on the information systems since 2017, in particular the ambitious project to renovate the IT infrastructure, has enabled the rapid and widespread deployment of teleworking for all staff members, thus fully ensuring the bank's operational continuity.

- Although slowed by the Covid-19 crisis, execution of the asset disposal plan continued in 2020. The credit risk sensitivity related to assets classified at fair value through profit or loss or at fair value

[10] *On 21 July 2017 the ECB announced the end of access to the Eurosystem for liquidation structures as from 31 December 2021.*

through equity (including assets reclassified under the asset disposal plan) was reduced from EUR 5.5 million to EUR 3.2 million per basis point between the end of 2019 and the end of 2020.

As a consequence, after taking all these elements and uncertainties into account, Dexia management confirms that as at 31 December 2020, they do not call into question the fundamentals of the Group's orderly resolution and do not lead to the assessment of the application of the going concern agreement being called into question. Consequently, the consolidated financial statements can be prepared on a going concern basis in accordance with IAS 1 § 25 and 26.

Appendix 2 – Impacts relating to Covid-19

The year 2020 was strongly marked by the Covid-19 pandemic crisis which caused an unprecedented health and economic shock and led States and central banks to take exceptional measures to stop the spread of the virus and to support the economy. Although the economic consequences of the crisis are still very uncertain in the medium term, it has led the Group to implement various precautionary measures within the specific context of an orderly resolution in which it is involved.

Protection of teams and operational continuity

From the very beginning of the crisis, Dexia has closely monitored the evolution of the situation related to the spread of Covid-19. The Group's Management Board quickly activated an operational and a strategic crisis unit to protect its teams, and implemented all the necessary measures to enable them to work remotely.

Meeting first of all on a daily basis, and then as and when required by the severity of the crisis, the operational crisis unit has ensured the operational continuity of the company as well as the management of all the human impacts related to this situation. By virtue of the involvement of all those concerned and the very strong mobilisation of teams, the switch to teleworking was quickly made for all staff members, enabling all the bank's activities to be maintained.

All the work carried out on IT systems since 2017, particularly the ambitious project to renovate the IT infrastructure, has enabled the rapid deployment of teleworking teams and fully ensured operational continuity.

In addition, a customised training offer was deployed. In particular, this has enabled the Group to address topics such as work-life balance, stress management, project management and remote management.

Deterioration of credit risk as a consequence of the crisis

(i) Review of the macroeconomic scenarios and sensitive sectors

Within this historical context of a pandemic, the assumptions made and estimates established for the preparation of the consolidated financial statements as at 31 December 2020 have changed compared to those used for the 2019 annual close. In particular, the Dexia Group has reviewed the macroeconomic scenarios included in the point-in-time and forward-looking measures of the probability of default and loss given default models used for the assessment of expected credit losses under IFRS 9.

Thus, for the preparation of the annual consolidated financial statements, the Group has adopted a "central" macroeconomic scenario based on the projections published by the ECB[11] and by the FED[12] in June and September 2020. Within a context of greater uncertainty as to the evolution of the health crisis, the most severe elements of these two scenarios have been retained. A baseline scenario has been constructed per country for Belgium, France, Germany, Spain, Greece, Italy, Ireland, the Netherlands, Portugal, the United Kingdom, the United States and Tunisia. For the other countries, macroeconomic projections from the euro zone or global projections are applied.

The central scenario is based on the assumption of a certain resurgence of infections over the next few quarters, requiring partial containment measures until a medical solution is sufficiently deployed in the course of 2021. The macroeconomic scenario for June is generally more unfavourable than the September scenario: for the euro zone, real gross domestic product (GDP) is forecast to fall by 8.7% in 2020, followed by a rebound

[11] *https://www.ecb.europa.eu/pub/projections/html/ecb.projections202006_eurosystemstaff~7628a8cf43.en.html*
https://www.ecb.europa.eu/pub/projections/html/ecb.projections202009_ecbstaff~0940bca288.en.html
[12] *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20200610.pdf).*
https://www.federalreserve.gov/newsevents/pressreleases/monetarypolicy20200916b.html.

of 5.2% in 2021 and 3.3% in 2022. Outside the euro zone, world GDP is expected to fall by 4% in 2020, followed by a 6% rebound in 2021 and a 3.8% rebound in 2022.

The IFRS 9 approach also provides for account to be taken of the macroeconomic uncertainty surrounding the central scenario (cf. accounting valuation rules). In this approach, a difference of two standard deviations has been taken into account on macroeconomic indicators for a projection horizon of three years. This difference is calibrated by comparing the macroeconomic projections of past years with the macroeconomic evolutions actually observed. The resulting expected credit losses are thus obtained by weighting the central scenario with an improved scenario and an adverse scenario, within this range of uncertainty. For Dexia's credit portfolio, since expected losses are globally more sensitive to the adverse scenario than to the improved scenario, the taking into account of the uncertainties surrounding the central scenario results globally in a net increase in provisions, compared to the central scenario alone.

In addition to the baseline scenario, the ECB has published an optimistic and severe scenario in the context of the pandemic. These scenarios, detailed on the ECB website[1], provide additional information on macroeconomic uncertainty. As a sensitivity analysis, the severe scenario predicts reduced GDP growth of around 5% over three years, while the unemployment rate is 2% higher; the result (considering that the ECB severe scenario becomes Dexia's central scenario) is an increase in expected credit losses of 13%.

Even though the initial shock of the pandemic occurred three quarters ago, Dexia takes into account the full impact of the macroeconomic shock of 2020, by transition, for the calculation of prospective credit losses as at 31 December 2020. Indeed, the Group considers that sovereign support measures will have the consequence of slowing the impact on risk parameters.

- In addition to the automatic classifications in Stage 2 linked to the review of macroeconomic scenarios and the significant increase in credit risk (SICR), Dexia also carried out a review of sensitive sectors, recognising new sensitive sectors and expanding existing sensitive sectors. All counterparties likely to be weakened by the crisis were systematically classified in Stage 2. In particular, this concerns airports, corporate real estate, French overseas and mountain authorities, the oil, gas, tourism and entertainment sectors and the financing of student housing in the United Kingdom (cf. “Results” section of this Press Release). All of these sensitive sectors together represent an exposure of EUR 12.6 billion out of a total of EUR 82.8 billion.

Furthermore, Dexia carries out an in-depth analysis of non-performing counterparties on a quarterly basis in order to estimate the consequences of the health crisis on their financial situation.

All these elements resulted in an increase in the Group's cost of risk, which amounted to EUR -169 million at the end of December 2020 (cf. “Results” section of this Press Release).

(ii) Rescheduling of bank loans and granting of secured loans

Over the year 2020, the Dexia Group has been led to offer certain clients the rescheduling of bank loans and granted moratoria on maturities totalling approximately EUR 44.6 million.

In France, maturities of EUR 8.1 million, representing an outstanding of EUR 211 million, were rescheduled in 2020 and the terms and conditions involved deferring the repayment of loans granted by an average of six months.

In Italy, the measures implemented to combat the Covid-19 pandemic led to a significant reduction in local authority revenues. Various agreements, intended to extend the capital due in 2020, have been signed by the Ministry of Economy and Finance, Cassa Depositi e Prestiti and certain Italian banks. Dexia Crediop did not sign up to these agreements and wished to favour a bilateral relationship on a case-by-case basis with its borrowers. Within this context, over the year 2020, maturities of EUR 36.5 million, representing a total

outstanding of EUR 319 million, benefited from a renegotiation of their debt under market conditions, with an increase in the average term of one year.

In application of the provisions of IFRS 9, the impact of the moratoria, which is not material, has been recorded in the income statement under “Net gains arising on financial assets valued at amortised cost”.

In addition to the rescheduling of bank loans, the States have also adopted a series of measures to support the economy, including the granting of loans guaranteed by the States. Given its status as an entity in resolution, Dexia is not authorised to grant new financing and therefore has not granted any guaranteed loans.

Impact on the financial markets and measures of exceptional magnitude taken by central banks

The severity of the pandemic has had a major impact on the financial markets, prompting central banks to take unprecedented measures to support market liquidity by lowering key interest rates, conducting massive asset buyback programmes, or setting up various refinancing facilities.

In March 2020, the ECB launched a Pandemic Emergency Purchase Programme (PEPP), in an amount of EUR 750 million, increased to EUR 1.850 billion and extended to a horizon of March 2022.

Furthermore, the ECB also launched a third targeted longer-term refinancing operation (TLTRO III) with more flexible terms and conditions, as well as four targeted facilities, associated with the pandemic (PELTRO) which constituted extremely strong support to the market.

Finally, from March 2020, the ECB has exceptionally and temporarily authorised banks to carry out their activity with ratio levels which may be below the LCR liquidity ratio.

(i) Funding risk

Despite market tensions, Dexia, which had a liquidity reserve of nearly EUR 20 billion at the end of December 2019, did not experience any refinancing problems at the height of the crisis. The resilience of the secured funding market enabled the Group to meet its funding requirements, in very attractive volumes and at good prices, while the market for government-guaranteed debt was not very active. Following the reopening of the guaranteed debt market from the end of April, Dexia resumed its long-term refinancing programme, and achieved it in September 2020. In line with the strategy pursued since 2017, the Group did not make use of ECB refinancing facilities.

Furthermore, the various indicators measuring the Group's liquidity did not deteriorate, with Dexia's Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) standing at 222% and 136.2% respectively at the end of December 2020 (cf. “Liquidity” section of this Press Release). This attests to the relevance of the diversified financing model developed by the Group and the efforts made to reduce the Group's funding requirements, particularly in currencies which are not its main funding currencies.

(ii) Market risk

The crisis is also reflected by a fall and very high volatility in the value of financial assets, all market segments combined, a continued fall in interest rates, with 10-year euro rates once again entering negative territory, an appreciation of the euro and marked movements in interest rate and currency bases. These various elements impacted accounting volatility in 2020, with a shock in the first quarter followed by an improvement in following quarters (cf. “Results” section of this Press Release).

Furthermore, within this context, the asset disposal activity slowed in the first quarter 2020, before picking up more actively from September 2020, with a recovery in market conditions. The reclassification of the assets covered by the asset disposal plan, approved by the Board of Directors on 19 July 2019, has led to an increase

in the sensitivity of the Group's income and equity to changes in credit spreads, which is reflected during the year 2020 by significant changes in the fair value of the assets concerned during 2020 (see “Highlights” section of the press release).

Temporary measures to ease banks’ regulatory capital requirements

Within the framework of the fight against the crisis caused by the Covid-19 epidemic, on 12 March 2020 the ECB announced a series of measures to ease capital requirements under the SREP. These measures resulted in the relaxation of the capital conservation buffer and additional capital (P2G - Pillar 2 guidance). In conjunction with the ECB's announcement, some national authorities such as France and the United Kingdom also reset the countercyclical buffer to zero.

By integrating these easing measures, the capital requirement applicable to Dexia increases to 11.25% on a consolidated basis, compared to 15.25% initially communicated for the year 2020. This 11.25% requirement includes an additional capital level of 3.25% (P2R – Pillar 2 requirement) to be covered at least 56% by Common Equity Tier 1 capital and 75% by Tier 1 capital.

On 7 January 2021, ACPR informed Dexia that, in the absence of any significant change in its risk profile and in order to take into account the exceptional circumstances generated by the current health crisis, the total capital requirement of 11.25% was maintained in 2021.

Furthermore, on 18 June 2020 the European Parliament validated a series of temporary adjustments to the Capital Requirements Regulation (CRR Quick-Fix)), allowing banks to mitigate the impact of the Covid-19 pandemic on their regulatory capital. Thus, the transitional provisions allow the reintegration into regulatory capital of potential new expected credit losses recognised in 2020 and 2021 under IFRS 9.

A temporary increase of the diversification factor from 50% to 66% applicable within the context of the prudent valuation (Prudent Valuation Adjustment - PVA) was also authorised, making it possible to limit the amount of the additional value adjustment to be taken into account in the calculation of prudential capital, as well as a temporary regulatory capital neutralisation of changes in the fair value of certain sovereign and public sector assets classified at fair value through equity.

Finally, risk-weighted assets (RWA) for sovereign exposures of European Union member states were temporarily reduced to 0% for exposures denominated and financed in the national currency of another member state.

Dexia and its subsidiaries made use of these temporary provisions when preparing their prudential statements and their solvency ratios as at 31 December 2020 (cf. “Solvency” section of this Press Release).

It should be noted that the temporary reduction of 25% of risk-weighted assets (RWA) of certain infrastructure exposures will be applied by Dexia in 2021.

Financial results and prudential reporting

The impact of the crisis caused by the Covid-19 pandemic has had consequences on the Group's annual consolidated financial statements, which are commented on in detail in the Press Release.

Furthermore, Dexia was not significantly impacted with regard to:

- Deferred tax assets, as these are considered non-recoverable within the framework of the Group's orderly resolution.
- Tangible fixed assets: Dexia is a tenant of its buildings and the lease agreements have a residual term of less than ten years. In addition, the Group did not benefit from any rent relief as a result of the crisis.

- Intangible fixed assets: these are very limited given the framework of Dexia's resolution.
- Discontinuation of hedging relationships, as they are almost perfectly matched. In the absence of new specific credit provisions and the impact of the moratoria, there was no breach of hedging relationships related to Covid-19.

The ECB has granted banks additional time in which to implement corrective actions to the non-critical recommendations from previous inspections and may also, at the request of each bank, grant additional time for the submission of certain regulatory reports to facilitate business continuity. To date, Dexia has not made use of this flexibility and has fully respected the timetable set for the submission of the various reports.

The EBA also decided to postpone the 2020 stress test exercise for all banks until 2021.

On the date on which the annual consolidated financial statements were approved, Dexia has taken into account these various elements and concluded that they do not call into question its assessment of the Group's going concern (cf. note on Going Concern).

Appendix 3 – Consolidated income statement (non audited figures)

Consolidated income statement - ANC format		
in EUR million	*2019 (1)*	*2020*
Net banking income	***-746***	***-216***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	*-379*	*-334*
Gross operating income	***-1.125***	***-550***
Cost of credit risk	*265*	*-169*
Net gains or losses on other assets	*0*	*101*
Net result before tax	***-860***	***-618***
Income tax	*33*	*-1*
Result from discontinued operations, net of tax*	*-111*	*0*
Net income	***-938***	***-619***
Minority interests	*-40*	*-1*
Net income, Group share	***-898***	***-618***

(1) 2019 restated

Appendix 4 - Balance sheet key figures (non-audited figures)

Balance sheet key figures		
in EUR million	**31-12-2019 (1)**	**31-12-2020**
Total assets	**120 326**	**114.427**
of which		
Cash and central banks	9 211	9.866
Financial assets at fair value through profit or loss	14 247	12.950
Hedging derivatives	1 378	1.263
Financial assets at fair value through other comprehensive income	2 837	3.369
Financial assets at amortised cost - Debt securities	36 301	37.332
Financial assets at amortised cost - Interbank loans and advances	23 087	21.507
Financial assets at amortised cost - Customer loans and advances	32 418	27.532
Total liabilities	**112 964**	**107.740**
of which		
Financial liabilities at fair value through profit or loss	14 780	12.525
Hedging derivatives	19 184	20.548
Interbank borrowings and deposits	11 778	9.831
Customer borrowings and deposits	3 851	6.824
Debt securities	62 728	57.360
Total equity	**7 362**	**6.687**
of which		
Equity, Group share	7 302	6.631

(1) The figures 2019 are restated: an amount of EUR 633 million has been reclassified from Cash and central banks into Financial assets at amortised cost – Customer loans and advances

Appendix 5 – Regulatory equity (non-audited figures)

in EUR million	31-12-19	31-12-20
Common Equity Tier 1	7 308	6 795
Total Capital	7 404	6 891
Risk-weighted assets	27 263	24 196
Common Equity Tier 1 ratio	26,8%	28,1%
Total Capital ratio	27,2%	28,5%

Appendix 6 – Credit risk exposure (EAD) (non-audited figures)

Exposure by geographic region		
in EUR million	31-12-2019	31-12-2020
France	17 730	20 962
United Kingdom	21 404	20 648
Italy	19 478	18 643
Spain	5 418	4 646
United States	8 881	4 628
Portugal	4 050	3 673
Japan	3 804	3 083
Other European countries	1 628	2 551
Central and Eastern Europe	905	858
Germany	1 058	657
Canada	1 182	601
Switzerland	146	95
Scandinavian countries	81	92
South and Central America	164	37
Southeast Asia	121	6
Other [(1)]	1 857	1 680
Total	**87 907**	**82 858**

(1) including supranationals, Austria.

Exposure by category of counterparty		
in EUR million	31-12-19	31-12-20
Local public sector	37 809	33 251
Central governments	25 871	28 595
Project finance	9 329	6 581
Financial institutions	6 852	6 218
Corporate	5 286	5 584
Monolines	1 349	1 317
ABS/MBS	1 410	1 311
Individuals, SME and self-employed	1	0
Total	**87 907**	**82 858**

Exposure by rating (internal rating system)		
	31-12-19	**31-12-20**
AAA	16,91%	20,0%
AA	7,73%	6,0%
A	29,96%	24,0%
BBB	36,90%	42,0%
Non Investment Grade	7,49%	7,0%
D	0,77%	1,0%
Not Rated	0,22%	0,0%
Total	**100%**	**100%**

Appendix 7 – Group sector exposure (EAD) (non-audited figures)

Group sector exposure to certain countries							
in EUR million	***Total***	*o/w local public sector*	*o/w corporate and project finance*	*o/w financial institutions*	*o/w ABS/MBS*	*o/w sovereign exposures*	*o/w monolines*
France	**20 962**	5 786	1 718	1 563	0	11 592	303
United Kingdom	**20 648**	10 228	6 591	1 712	1 274	12	830
Italy	**18 643**	8 275	110	158	2	10 098	0
Spain	**4 646**	3 059	869	287	32	398	0
United States	**4 628**	1 934	1 093	975	2	440	184
Portugal	**3 673**	553	47	0	0	3 073	0
Japan	**3 083**	2 823	0	260	0	0	0
Belgium	**2 450**	0	13	424	0	2 013	0
Germany	**657**	0	82	572	0	3	0

Group sectorial exposure per rating								
in EUR million	**Total**	*AAA*	*AA*	*A*	*BBB*	*NIG°*	*D*	*no rating*
Local public sector	33 251	2 335	3 778	10 205	12 042	4 653	215	22
Central governments	28 595	14 086	0	1 193	13 188	128	0	0
Project finance	6 581	0	18	1 294	3 862	1 112	295	0
Financial institutions	6 218	0	110	4 807	1 286	7	0	9
Corporate	5 584	0	0	1 406	4 135	26	4	13
Monolines	1 317	0	0	1 133	184	0	0	0
ABS/MBS	1 311	2	1 210	3	0	96	0	0
Individuals, SME and self-employed	0	0	0	0	0	0	0	0
Total	**82 858**	**16 423**	**5 117**	**20 041**	**34 696**	**6 022**	**514**	**44**

° Non Investment Grade

Appendix 8 – Asset quality (non-audited figures)

Asset quality			
in EUR million		31-12-19	31-12-20
Impaired assets[1]		615	556
Specific impairments[2]		143	134
Of which	*Stage 3*	*136*	*125*
	POCI	*7*	*9*
Coverage ratio[3]		23,25%	24,1%
Collective provisions		166	320
Of which	*Stage 1*	*5*	*21*
	Stage 2	*161*	*299*

(1) Outstanding : computed according the applicable perimeter defined under IFRS 9 (FV through OCI + Amortised Cost + Off Balance)

(2) Impairments : according the portfolio taken into account for the calculation of the outstanding, inclusive the impairments related to POCI

(3) Specific impairments-to-Impaired assets ratio

Appendix 9 – Ratings

Ratings as at 31 December 2020			
	Long term	**Outlook**	**Short term**
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
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+

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