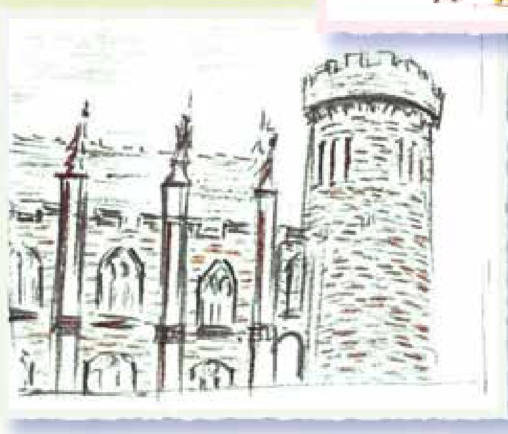
2020

ANNUAL REPORT







DEXIA
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Annual report 2020

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Management report

Message from the chairmen

The year 2020 witnessed a global pandemic with unprecedented economic, social and health consequences. These consequences will not be fully understood for many months to come, but they are at the root of a crisis of unparalleled intensity and duration.

In the face of adversity, Dexia Credit Local's staff members have once again shown themselves to be equal to the challenges. Their exceptional mobilisation and considerable work enabled the Dexia Group not only to ensure the continuity of its activities, but also to continue the implementation of its orderly resolution, with the full support of its Board of Directors and the backing of the two shareholder States.

It was thus in a situation of 100% teleworking, an organisation implemented within the space of a few days, when many members of staff were not initially equipped to work from home, that the Dexia Crédit Local was able to continue to implement its strategic roadmap.

The crisis had an unfavourable impact on Dexia Crédit Local's results, particularly in the first half of the year. The bank thus had to record an additional charge in cost of risk, which remained moderate however given the good quality of its asset portfolios and its relatively low exposure to the credit sectors most exposed to the health crisis. Dexia Crédit Local also booked additional value adjustments in regulatory capital, the impact of which was nevertheless largely offset by the rapid easing measures taken by the supervisors. As at 31 December 2020, Dexia Crédit Local had a strong Total Capital ratio of 24.7%, compared to a requirement reduced to 11.25%.

Historically the Achilles heel of the Group, liquidity has shown great resilience. Dexia Crédit Local's model, based on a diversification of funding sources, both in terms of instruments and of currencies, and on the maintenance of a significant liquidity reserve, proved to be solid during this year of crisis.

Proactive balance sheet management continued in circumstances complicated by the Covid-19 pandemic. Asset disposals, slowed down at the beginning of the year by the consequences of the crisis, were able to resume as soon as market conditions normalised in September. Dexia Crédit Local has already completed around 70% of the asset disposal programme launched in July 2019.

Finally, the simplification of the international network continued with, on the one hand, the finalisation of the project for the evolution of the American branch of Dexia Crédit Local, transformed into a representative office, and on the other hand, the reflection undertaken on the future of the Italian subsidiary, Dexia Crediop, made possible by the repurchase of the shares of its minority shareholders and the reinforcement of its equity capital.

Another highlight of this obstinately atypical year was the adaptation of the organisation of Dexia's supervision, within the framework of the single supervisory mechanism, to take into account the very specific situation of the company, which is now placed under the supervision of the Autorité de Contrôle Prudentiel et de Résolution (ACPR), as the competent authority on a consolidated basis, and of the National Bank of Belgium (NBB).

This crisis will have made lasting changes to our way of working and highlighted the possibility of generalising partial teleworking, a practice traditionally not particularly well established in the banking sector. Once the health situation has stabilised, Dexia Crédit Local will offer those staff members who so wish the possibility of working remotely one to three days a week.

The current year will also see the Dexia Group take new further steps along the road to resolution, with in particular the realisation of the reflection begun in 2020 on the future of Dexia Crediop within the Group.

Our greatest advantages with which to continue our efforts towards the orderly resolution of the Dexia Group lie in the values we all share, which form the basis of the company's leadership model: agility, trust, cohesion and commitment to protecting the general interest. We know that we can count on all of the Dexia Group's staff members to continue to apply them on a daily basis. For this we thank them warmly.

Pierre Crevits
Chief Executive Officer

Gilles Denoyel
Chairman of the Board of Directors

Dexia Crédit Local Group Profile

A Group in orderly resolution

Headquartered in France, where it maintains a banking license, Dexia Crédit Local[1] is Dexia Group's main operating entity, carrying the majority of its assets. Dexia Crédit Local also still has an international presence through its Italian subsidiary, Dexia Crediop, its branch in Ireland and its representative office in the United States.

The Dexia Crédit Local Group has 492 members of staff as at 31 December 2020.

The Group's parent company, Dexia, is a public limited company *(société anonyme)* and financial company governed by Belgian law. The Belgian and French States own 99.6% of the Group[2]. Since 1 July 2020, Dexia has been 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 (NBB).

Dexia and Dexia Crédit Local have been managed under an orderly resolution plan since the end of 2011. Approved by the European Commission in December 2012, Dexia's orderly resolution plan aims to avoid the Group's bankruptcy and liquidation which, given its residual size, could have been destabilising to the entire European banking sector. In order to enable the orderly resolution, the Belgian, French and Luxembourg States granted a liquidity guarantee for a maximum principal amount of EUR 85 billion to Dexia Crédit Local, which is consequently the issuer of Dexia Group under the State guarantee format.

Dexia Crédit Local no longer has any commercial activities and is now fully dedicated to the management in extinction of its balance sheet and its asset portfolio, composed mainly of assets linked to the local public sector and sovereigns. All staff members are mobilised to avoid any systemic risk and to preserve the interests of the Group's shareholder and guarantor States. In order to carry out this complex mission, Dexia has set itself three strategic objectives:

- to maintain the ability to refinance its balance sheet throughout its resolution,
- to preserve its capital base in order to comply with regulatory ratios,
- to ensure operational continuity.

To meet this challenge, the Group can rely on the commitment and expertise of its staff members. Attracting and retaining this talent is therefore a priority for Dexia Crédit Local.

(1) Throughout this annual report Dexia Crédit Local refers to Dexia Crédit Local S.A. and Dexia to Dexia SA/NV.
(2) In 2021, the Belgian and French States increased Dexia's capital with EUR 5.5 billion.

Simplified Group structure

Belgian Federal State through the Federal Holding and Investment Company
52.78%

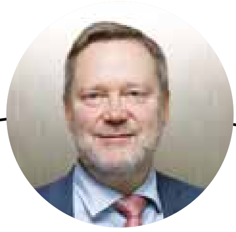
French State
46.81%

Institutional, individual and staff shareholders
0.41%

Dexia

- Dexia Crédit Local
  100%
  including branch in Ireland and representative office in the United States
  - Dexia Crediop
    100%
- Dexia Nederland
  100%

Management Board



Pierre Crevits
CEO

- Audit & Inspection
- Group Strategy & Structuring
- Human Resources
- General Secretariat
- International Entities

Patrick Renouvin
Executive Vice-President

- Operations and Information Systems

Giovanni Albanese
Executive Vice-President

- Risk

Véronique Hugues
Executive Vice-President

- Finance
- Communication

Benoît Debroise
Executive Vice-President

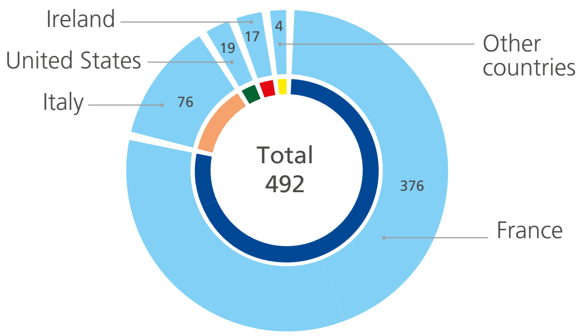
- Funding and Markets

Guy Cools
Executive Vice-President

- Assets

Key figures

NUMBER OF STAFF MEMBERS AS AT 31 DECEMBER 2020



RESULTS (in EUR million)	**2019 [1]**	**2020**
Net banking income	**(631)**	**(174)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(358)	(319)
Gross operating income	**(989)**	**(493)**
Cost of credit risk	265	(169)
Net gains or losses on other assets	0	104
Pre-tax income	**(724)**	**(558)**
Income tax	17	0
Result from discontinued operations, net of tax	(117)	0
Net income	**(824)**	**(558)**
Minority interests	(40)	(1)
Net income Group share	**(784)**	**(557)**

(1) Restated figures.

BALANCE SHEET (in EUR billion)	**31/12/2019**	**31/12/2020**
Total assets	**119.4**	**113.5**
Total of the asset portfolio	49.6	40.9

SOLVENCY (in EUR million unless otherwise stated)	**31/12/2019**	**31/12/2020**
Common Equity Tier 1	6,269	5,807
Total Capital	6,325	5,863
Risk-weighted assets	26,706	23,692
Common Equity Tier 1 ratio	23.5%	24.5%
Total Capital ratio	23.7%	24.7%

RATINGS AS AT 31 DECEMBER 2020	**Long term**	**Outlook**	**Short term**
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
Moody's - Counterparty Risk (CR)	*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

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 Dexia Crédit Local's earnings and solvency, particularly in the first half of the year. The bank 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 Crédit Local 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 Dexia Crédit Local to continue actively to manage its balance sheet and off-balance sheet, after a slowdown at the height of the crisis. In addition, the bank's funding was carried out smoothly and without recourse to central bank refinancing, in line with the strategy deployed since 2017.

Implications relating to Covid-19

From the very beginning of the crisis, Dexia Crédit Local has closely followed the evolution of the situation linked to the spread of Covid-19 throughout the world and particularly in Europe. The 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 Dexia Crédit Local's organisation, business and results. In particular, Dexia Crédit Local's funding model proved highly resilient at the height of the crisis.
The implications relating to Covid-19 are detailed in Note 1.4.1 to the consolidated financial statements in this Annual Report.

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 Dexia Crédit Local 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[1], 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 Crédit Local 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 billion[2].
More than 30 "complex" operations were carried out 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 asset portfolio.
Since the implementation of the new asset disposal programme in July 2019, Dexia Crédit Local has negotiated disposals and early redemptions corresponding to approximately 70% of the target set in terms of nominal reduction.

(1) At current exchange rate.
(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.

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Proactive off-balance sheet management

In 2020, Dexia Crédit Local 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 Dexia Board of Directors approved the implementation of a new asset disposal programme aimed at reducing the bank'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 via EUR -104 million on the income statement and EUR -92 million on the OCI reserve, respectively. This reclassification also increases Dexia Crédit Local'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.

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

For several years, Dexia Crédit Local has pursued an active ALM[1] 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 Dexia Crédit Local's solvency.

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 Crédit Local proceeded on 30 April 2020 with the transfer of the entire residual balance sheet to its 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.
Dexia Crédit Local 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 Crédit Local will continue this simplification process in 2021.

Italy

Over the year Dexia Crédit Local continued to examine different strategic options for the future of Dexia Crediop.
On 8 September 2020, Dexia Crédit Local 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.
Dexia Crédit Local 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[2], composed of loans, bonds and derivatives, which will be taken over by Dexia Crédit Local at book value during 2021.

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 group in resolution like Dexia, the European Central Bank (ECB) has proposed a change in the methods of prudential supervision of the Dexia 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). Dexia Crédit Local is supervised by ACPR and Dexia Crediop by the National Bank of Italy.
Dexia Crédit Local maintains regular and transparent relations with the supervisory authorities, in particular since the acceleration of the Covid-19 crisis.

(1) Asset and Liability Management.

(2) Corresponding to EUR 4.2 billion of book value.

Evolution of Dexia Crédit Local's gouvernance

On 19 May 2020, Dexia Crédit Local's Annual Shareholders' Meeting approved the appointment of Pierre Crevits as director. The Dexia Crédit Local Board of Directors then appointed him as Chief Executive Officer and Chairman of the Management Board of Dexia Crédit Local.

Bart Bronselaer, who served as interim Chief Executive Officer until 19 May 2020, was co-opted by the Board of Directors as director on 9 September 2020. Claire Vernet-Garnier has been replacing Claire Cheremetinski as a representative of the French State and director of Dexia Crédit Local since 29 September 2020. 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, Bart Bronselaer has been a non-executive director of Dexia and Claire Vernet-Garnier has been a representative of the French State, director of Dexia since 9 September 2020.

Other highlights

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).

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 bank or external events which could have an impact on it.

The complete rating table is provided in the chapter "Dexia Crédit Local Group profile" in this Annual Report.

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

Dexia Crédit Local 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 Crédit Local'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 Crédit Local 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 Crédit Local 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 Crédit Local 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 fall-back clauses, setting out the terms and conditions for replacement in the event of the cessation of a reference interest rate.

Dexia Crédit Local 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 Crédit Local 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 Crédit Local'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 Crédit Local'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 Crédit Local financial statements.

Financial results

Notes regarding the Dexia Crédit Local Group's annual consolidated financial statements 2020

Going concern

The consolidated financial statements of Dexia Crédit Local 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 Crédit Local 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 its capacity to raise secured funding. The European Commission's confirmation of the prolongation 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. A law validating this prolongation was passed in France on 29 December 2020. A draft bill, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.
- Although managing these risks very proactively, Dexia Crédit Local 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 its 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 regulatory capital.
- In particular, considering the decisions taken by the Dexia Board of Directors in 2019, relating to the implementation of an asset disposal plan for a total of approximately EUR 13 billion[1], Dexia Crédit Local is exposed to the evolution of the fair value of these assets until their effective disposal.
- Furthermore Dexia Crédit Local 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 Dexia Crédit Local'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 Crédit Local 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 a EUR 4.6 billion reduction in the 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 Crédit Local executed its entire long-term refinancing programme on terms close to its budgetary target. Dexia Crédit Local 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 Crédit Local was able to maintain a liquidity reserve deemed to be in line with the restriction of access to ECB funding announced on 21 July 2017[2] and which, as at 31 December 2020, amounted to EUR 18.5 billion, of which EUR 11 billion in cash.

Furthermore, in 2021 Dexia Crédit Local 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 Dexia 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

(1) Impact on debt reduction in 2022 of the plan validated by the Board of Directors on 19 July 2019.
(2) On 21 July 2017 the ECB announced the end of access to the Eurosystem for liquidation structures as from 31 December 2021.

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 funding requirements compared to the pre-crisis scenario, and a continued erosion of the transformation result.

Furthermore, in order to take account of the macroeconomic uncertainty surrounding the central scenario, Dexia Crédit Local 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 Crédit Local's credit portfolio, since expected losses are globally more sensitive to the adverse scenario than to the improved scenario, the taking 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 annual consolidated financial statements, the impact on Dexia Crédit Local'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 Crédit Local 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 Crédit Local's 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 through equity was reduced over the year from EUR -6.4 million in January 2020 to EUR -4.3 million per basis point as at 31 December 2020 for all assets valued at fair value.

As a consequence, after taking all these elements and uncertainties, developed in part in Note 1.4.1 to the consolidated financial statements in this Annual Report, into account, Dexia Crédit Local management confirms that as at 31 December 2020, they do not call into question the fundamentals of the Dexia 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.

Analytical segmentation

Having completed its commercial entity disposal programme as required under the resolution plan, Dexia Crédit Local is now focused on managing its residual assets in run-off, protecting the interests of the Dexia Group's State guarantors and shareholders and avoiding any systemic risk, in line with the mission of the company.

In line with the Group's profile, Dexia Crédit Local'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.

Change in the presentation of net interest margin

For the sake of simplification and consistency, Dexia Crédit Local has modified the presentation of the net interest margin as at 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.

Dexia Crédit Local's consolidated financial statements

Analysis of the consolidated income statement

CONSOLIDATED INCOME STATEMENT – ANC FORMAT

(in EUR million)	2019(1)	2020
Net banking income	**(631)**	**(174)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(358)	(319)
Gross operating income	**(989)**	**(493)**
Cost of credit risk	265	(169)
Net gains or losses on other assets	0	104
Pre-tax income	**(724)**	**(558)**
Income tax	17	0
Result from discontinued operations, net of tax	(117)	0
Net income	**(824)**	**(558)**
Minority interests	(40)	(1)
Net income Group share	**(784)**	**(557)**

(1) Restated figures.

Net income, Group share, was EUR -557 million as at 31 December 2020, against EUR -784 million at the end of December 2019.
For the year, net banking income amounted to EUR -174 million, including:
• The net interest margin, which amounted to EUR -40 million and corresponds to the cost of carrying assets as well as the bank's transformation result. Over the year, the net interest margin decreased by EUR 22 million compared to 31 December 2019, mainly due to the persistence of historically low interest rates.
• Net commissions of EUR -11 million.
• Net gains or losses on financial instruments at fair value through profit or loss, which amounted to EUR -31 million. The crisis resulted in a significant increase in credit spreads from mid-March onwards. This dynamic was partly reversed in the second half of 2020, leading to a progressive tightening of credit spreads in many market segments and to a EUR -70 million change in value of assets classified at fair value through profit or loss. This negative change was partly offset by a favourable evolution of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debt Valuation Adjustment (DVA), for a total amount of EUR +35 million.
• Net gains or losses on financial instruments at fair value through equity for an amount of EUR -65 million, as well as net gains or losses on financial instruments at amortised cost for an amount of EUR -3 million related to the asset disposal and liability buy-back programmes.
• An impact of EUR -104 million related to the reclassification of assets from amortised cost to fair value through profit or loss, following the change in the management intent for the assets in question which leads to a change in the IFRS business model (cf. section cf. section "Reclassification of an asset portfolio in fair value" in the chapter "Highlights" in this annual report).
Expenses amounted to EUR -319 million, down EUR 39 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 -65 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. Note 1.4.1 to the consolidated financial statements in this Annual Report) and EUR -14 million of collective provisions following the review of sensitive sectors carried out by the bank. Following this review, Dexia Crédit Local 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 motorways, 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 Crédit Local does not expect a significant increase in provisions on eurozone sovereigns.
The item net gains or losses on other assets shows an impact of EUR +104 million, linked to the recycling via the income statement of the translation difference carried by the shareholders' 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 30 June 2020 and the various historical periods in which the equity was built up.
Income tax amounted to EUR 0.4 million.

Evolution of the consolidated balance sheet

As at 31 December 2020, the Group's consolidated balance sheet total amounted to EUR 113.5 billion, compared to EUR 119.4 billion as at 31 December 2019, a decrease of EUR 6 billion, mainly due to the reduction of the asset portfolio.
This portfolio 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.

Information country by country

All the entities of the Dexia Crédit Local group are managed in run-off. Furthermore, Dexia Crédit Local observes the principles of the Foreign Account Tax Compliance Act (FATCA) as well as the principles adopted by the OECD and the G20 on the implementation of international standards aimed at improving fiscal transparency and the exchange of information for fiscal purposes.

Information country by country

1. ESTABLISHMENT AND THE NATURE OF ITS ACTIVITY

United States	
Dexia Holdings, Inc	Holding company
Dexia FP Holdings Inc	Other financial activities
Dexia Financial Products Services LLC	Other financial activities
FSA Asset Management LLC	Other financial activities
FSA Capital Markets Services LLC	Other financial activities
FSA Capital Management Services LLC	Other financial activities
France	
Dexia Crédit Local SA	Bank, credit institution
Dexia CLF Régions Bail	Leasing company
Dexia Flobail	Financing of local investments by par finance leasing
Cayman Islands	
FSA Global Funding LTD	Other financial activities
Premier International Funding Co	Other financial activities
Ireland	
Dexia Crédit Local, Dublin Branch	Bank, credit institution
WISE 2006-1 PLC	Other financial activities
Italy	
Dexia Crediop	Bank, credit institution
United Kingdom	
FSA Portfolio Asset Limited (UK)	Other financial activities

2. DATA BY COUNTRY

Country of establishment	Net banking income (in EUR million)	Pre-tax income (in EUR million)	Current tax (in EUR million)	Workforce
United States	(12)	69	0	19
France	(92)	(428)	19	376
Cayman Islands	5	5	0	0
Ireland	115	34	0	17
Italy	(195)	(244)	0	76
United Kingdom	5	5	0	3

Statutory financial statements of Dexia Crédit Local

Evolution of the income statement

The net income of Dexia Crédit Local for the 2020 financial year amounted to EUR -447 million, against EUR +393 million in 2019. It is marked principally by the continuing transformation of the funding structure, disposals and repatriations of assets from subsidiaries and branches.

Net banking income was positive at EUR +117 million in 2020, against EUR +778 million at the end of 2019. It included the impacts associated with the results of asset disposals and the evolution of the valuations of investment portfolios.

It consisted in particular of:

- the net interest margin, which includes income from asset portfolios and the funding cost. It amounted to EUR +145 million,
- the losses on the held-for-trading portfolios and financial instruments of EUR +84 million essentially including interest charges on derivatives and the impacts of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and exchange rate variations
- the gains on investment portfolios of EUR -104 million including considerable dotation to provisions.
- the losses associated with the disposal of held-to-maturity securities of EUR +4 million.

Operating expenses were down EUR -41 million, at EUR -308 million as at 31 December 2020 compared to EUR -325 million at the end of 2019, in particular as a result of the decrease of costs following restructuring in Paris and the closing of the New York branch.

The cost of credit risk had a negative impact of EUR -18 million at the end of 2020. It is explained mainly by:

- An increase of EUR -20 million in the general provision related to the update of the macroeconomic scenarios used for the assessment of credit losses and to the review of sensitive sectors within the context of the Covid-19 crisis.
- An allocation to provisions of EUR -3 million related to the activity of desensitisation of loans to the French local public sector.
- Reversals of specific provisions, following the disposal of provisioned exposures, notably in New York, for EUR +4 million.

The item gains/losses on fixed assets amounted to EUR -264 million. It consisted of the recycling via the income statement of the translation difference carried by the shareholders' 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.

INCOME STATEMENT

(in EUR million)	2019	2020
Net banking income	**778**	**117**
Operating expenses	(325)	(284)
Gross operating income	**453**	**(167)**
Cost of credit risk	195	(18)
Operating income	**648**	**(185)**
Gains or losses on intangible assets	(280)	(264)
Current pre-tax income	**368**	**(449)**
Exceptional income	2	1
Charges or proceeds of income tax	23	1
Income for the financial year	**393**	**(447)**
Basic earnings per share (in euros)	*1.41*	*(1.60)*
Diluted earnings per share (in euros)	*1.41*	*(1.60)*

Balance sheet evolution

The balance sheet total as at 31 December 2020 was EUR 84 billion against 89.4 billion in 2019, or down EUR 5.4 billion.
Applying Article R 511-16-1 of the Monetary and Financial Code, the Dexia Crédit Local return on assets, calculated by dividing the net result by the balance sheet total, was -0.53% in 2020.

A - Assets

Customer loans

As at 31 December 2020, total customer loans were down by 23.8% at EUR 15.2 billion (against EUR 20 billion at the end of December 2019) in view of disposals, early loan redemptions and natural amortisation.

Held-for-trading, available-for-sale and held-to-maturity securities

The total value of securities held was EUR 20 billion at the end of 2019, against EUR 21 billion at the end of 2019. The evolution of the different portfolios is presented in the notes to the financial statements. They consist essentially of French and foreign bonds, negotiable debt securities and government securities. The fall of the securities portfolio is explained by the disposals made in 2020.

Equity investments, shares in affiliated enterprises

Equity investments amounted to EUR 0.3 billion, against EUR 0.2 billion at the end of 2019, following the increase in the capital of Dexia Crediop, Dexia Crédit Local's subsidiary.
There was no acquisition in 2020.

Other assets

The item "Other assets" was EUR 23 billion, against EUR 22 billion at the end of 2019. This item essentially consists of cash collateral.

B- Liabilities

Banks and financial institutions

The Dexia Crédit Local debt with credit institutions was EUR 6 billion as at 31 December 2020 against EUR 11 billion at the end of 2019.

Debt securities

The extent of debt securities in total liabilities is a characteristic element of the Dexia Crédit Local balance sheet. As at 31 December 2020, this amount was EUR 56 billion, against EUR 63 billion at the end of 2019, and represented the amount of bond debts issued by Dexia Crédit Local and for the most part benefiting from the guarantee of the French, Belgian and Luxembourg States.

Delays in paying suppliers and customers

Applying Articles L. 441-6-1 and D. 441-4 of the Commercial Code, Dexia Crédit Local must each year publish a breakdown of the balance of its debts to suppliers by due date. The supplier debts of Dexia Crédit Local represent an insignificant amount in the company's balance sheet total. Dexia Crédit Local's practice is to settle its invoices at 45 days unless a contractual agreement is signed with the supplier providing for a settlement deadline of 30 days or 60 days as the case may be.
Supplier debts were EUR +8.1 million as at 31 December 2020.
Debts associated with banking activity, for which new provisions cannot be adapted, are described in the notes 2.3 and 2.4 to the statutory financial statements.
Delays in payment relating to debts outside banking activity are indicated below.

DCL - Detail Supplier Invoices due as at 31 December 2020

Total Invoices	Balance TTC EUR	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
83	3,948,352	800,492	796,343	(18,240)	2,369,757	3,948,352

DCL - Detail Customer Invoices due as at 31 December 2020

Total Invoices	Balance TTC EUR	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
11	174,799	0	0	121,875	52,923	174,799

Eckert Law Information

Dexia Crédit Local declares as information provided in II of Article L. 312-19 and the fourth paragraph of I of Article L. 312-20 that it has the following accounts as at 31 December 2020:

- outstanding deposits and assets on inactive accounts: EUR 8,908.
- number of accounts the assets of which are deposited with the Caisse des dépôts et consignations: 0
- total amount of funds deposited with the Caisse des dépôts et consignations: 0

FIVE–YEAR FINANCIAL SUMMARY

(in EUR)	2016	2017	2018	2019	2020
FINANCIAL SITUATION					
Share capital (in EUR)	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
Number of shares	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
COMPREHENSIVE INCOME (IN EUR)					
Revenues	2,861,425,520	1,862,276,007	2,584,397,238	2,158,770,445	1,077,816,686
Earnings before income tax, depreciation, amortisation and net impairment charges	160,629,999	245,593,268	(859,702,347)	(648,346,161)	(328,484,129)
Corporate income tax	(22,784,693)	(6,755,199)	(2,417,794)	23,340,552	1,214,365
Earnings after income tax, depreciation, amortisation and net impairment charges	(216,780,648)	1,003,770,302	646,943,849	393,202,645	(446,757,858)
Dividends	Nil	Nil	Nil	Nil	Nil
DATA PER SHARE (IN EUR)					
Revenues	10.25	6.67	9.26	7.73	3.86
Earnings after income tax, and before depreciation, amortisation and net impairment charges	0.49	0.86	(3.09)	(2.24)	(1.17)
Corporate income tax	(0.08)	(0.02)	(0.01)	0.08	0.00
Earnings after income tax, depreciation, amortisation and net impairment charges	(0.78)	3.59	2.32	1.41	(1.6)
Dividends	0.00	0.00	0.00	0.00	0.00
EMPLOYEE DATA					
Employees as at 31 December	811	683	554	461	400
Managerial staff	638	549	436	393	354
Administrative staff	173	134	118	68	46
Gross payroll (in EUR)	80,733,095	76,366,807	71,563,004	58,380,164	49,834,180
Payroll taxes and employee benefits (social security, employee benefit programmes etc.) (in EUR)	24,401,805	23,533,784	19,730,884	18,070,799	18,636,547

Risk Management

Introduction

In 2020, the Risk Management activity line continued actively to manage the risk carried by Dexia Crédit Local, in line with the Risk Appetite Framework (RAF). This framework, which includes indicators of solvency, liquidity, profitability, operational and business continuity risks, is intended to define the principles for assessing any deviation of the risk profile from the strategic plan approved by the management bodies.

Against the background of the Covid-19 pandemic, Dexia Crédit Local rapidly deployed the necessary resources to protect its teams and ensure operational continuity. The department in charge of monitoring operational risks was fully involved in coordinating the widespread teleworking framework, thus ensuring the continuation of all activities within a reinforced security framework.

The crisis also had repercussions on Dexia Crédit Local's results, in particular via an impact of EUR -169 million on the cost of risk as at 31 December 2020, mainly linked to the adjustment of the macroeconomic assumptions used for the assessment of expected credit losses within the framework of IFRS 9 and to the review of sensitive sectors carried out by the bank.

During the year, Dexia Crédit Local continued its asset disposal programme, despite a slowdown in the first half at the height of the crisis. Disposals were mainly concentrated on project and corporate finance and public sector assets.

Furthermore, on 31 March 2020, Dexia Crédit Local switched from the advanced to the standard method for the valuation of credit risk-weighted assets. This change of methodology, validated by the European Central Bank, allows a simplification of the bank's operational processes within a context of extinctive management. It has resulted in an increase in total credit risk-weighted assets.

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

Finally, as in 2019, the Dexia Group 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 2020. This exercise aimed to provide detailed and harmonised information on the balance sheets and portfolios of the main European banks.

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 strategy, particularly with regard to risk. To facilitate bank 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 risk 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 Dexia Crédit Local's risks under the supervision of those committees.

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

Organisation of the Risk activity line

The Risk Management Executive Committee

As at 31 December 2020, 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 Crédit Local's level of risk tolerance as approved by the Board of Directors and falls within the implementation of the Dexia Group strategy. It defines the bank's risk profile, and qualifies the types of risk which Dexia Crédit Local is inclined to hold, minimise, attenuate or transfer in order to achieve its strategic objectives. The RAF considers Dexia Crédit Local's significant risks and relies on its strategy and capital forecasts.

The RAF was introduced in Dexia in 2016. It includes a Risk Appetite Statement (RAS), qualitative and quantitative risk limits and an overview of the roles and responsibilities of bodies and functions which supervise implementation and monitoring. It is subject to regular monitoring and an annual review in order to integrate any new regulatory, strategic or operational development. Indeed, the RAS and RAF indicators were updated at the end of 2019 and beginning of 2020, within the context of the Covid-19 crisis. A quarterly consolidated schedule is presented by Risk Management to the Risk Committee and the Board of Directors, with the aim of close and in-depth monitoring of the main risk indicators and informing the bank'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 Crédit Local may suffer as the result of deterioration in the solvency of a counterparty.

The Credit Analysis Centres department defines Dexia Crédit Local's credit risk policy, which encompasses supervision of the processes for rating counterparties, analysing credit files and monitoring exposures within the bank. 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 of 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 various entities.

Market Risk

Market risk represents Dexia Crédit Local'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 Dexia Crédit Local 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 Dexia Crédit Local'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 bank'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 and Liquidity 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 Crédit Local'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.
Transformation risk management is carried out by the "Financial Strategy" team located within the Finance department. Management actions are reviewed and validated by the ALCO Committee, on delegation from the Management Board. Within the Risk Department, a dedicated ALM Risk team is responsible for defining the risk framework within which management can be carried out, validating the models used for the effective management of this risk, monitoring exposures and checking their compliance with the principles established by the bank. Furthermore, the ALM Risk team also defines the stresses to be applied to the various risk factors, proposes the risk acceptance levels and ensures compliance 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 Dexia Crédit Local's various activities and delegates the operational management of risk monitoring to the specialised committees dealing with operational risks led by the Operational Risk function. During these committees, the main risks identified are examined and corrective actions and, if necessary, preventive or improvement measures are decided. A committee dedicated to business continuity and information systems security examines and decides on the actions to be taken to ensure business continuity and the implementation of the information systems security policy.
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 entities, as well as within the bank'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 and via communication channels put in place specifically to guide the "community" of correspondents, it ensures good operational continuity management.

Regulatory risk

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

ICAAP/ILAAP

The "Stress Tests and Pillar 2" Committee, under the joint responsibility of the Finance and Risk activity lines, steers the internal ICAAP and ILAAP processes. This committee approves all matters concerning governance, risk measures and results before they are submitted to the Management Board, the Risk Committee and the Board of Directors. 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 file (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 Crédit Local'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 Crédit Local is given in Note 7 to the consolidated financial statements in this Annual Report.

As at 31 December 2020, Dexia Crédit Local's credit risk exposure amounted to EUR 82 billion compared to EUR 87 billion at the end of December 2019, i.e. a decrease of 6%, linked to the natural amortisation of the portfolio, asset disposals and early redemptions.
EUR 39 billion of the exposure is in loans and EUR 39 billion in bonds. They are mainly concentrated in the European Union (80%) and the United States (16%). The increase in exposure to France is due to the increase in deposits with the Banque de France, as part of the management of the liquidity reserve. These deposits amounted to EUR 9.9 billion as at 31 December 2020.

EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	31/12/2019	31/12/2020
France	17,729	20,962
United Kingdom	21,404	20,648
Italy	19,414	18,585
United States	8,866	4,628
Spain	5,373	4,610
Portugal	4,050	3,673
Japan	3,794	3,073
Other European countries	986	1,922
Central and Eastern Europe	905	857
Germany	1,058	657
Canada	1,182	601
Switzerland	146	95
Scandinavia	81	92
Central and South America	164	37
South-East Asia	121	6
Others[1]	1,704	1,525
TOTAL	**86,976**	**81,972**

(1) Includes supranationals and Australia.

As at 31 December 2020, exposures remain mainly concentrated on the local public sector and sovereigns (75%) given Dexia Crédit Local's historical activity. The increase of the exposure to sovereigns results from the increase of deposits with the Banque de France, within the framework of the management of the liquidity reserve. These deposits amounted to EUR 9.9 billion as at 31 December 2020.

EXPOSURE BY CATEGORY OF COUNTERPARTY

(in EUR million)	31/12/2019	31/12/2020
Local public sector	37,795	33,237
Sovereigns	25,157	27,900
Project finance	9,194	6,456
Financial institutions	6,859	6,227
Corporates	5,273	5,558
Monolines	1,333	1,317
ABS/MBS	1,366	1,278
TOTAL	**86,976**	**81,972**

The quality of Dexia's credit portfolio remains high, with 92% of exposures rated investment grade as at 31 December 2020.

EXPOSURE BY RATING (INTERNAL RATING SYSTEM)

	31/12/2019	31/12/2020
AAA	16.4%	19.3%
AA	7.8%	6.2%
A	30.2%	24.4%
BBB	37.1%	42.1%
Non-investment grade	7.6%	7.3%
D	0.8%	0.6%
No rating	0.2%	0%
TOTAL	**16.4%**	**19.3%**

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 2020 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
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	18,585	8,275	110	158	0	10,043	0
United States	4,628	1,934	1,093	975	2	440	184
Spain	4,610	3,055	869	287	1	398	0
Portugal	3,673	553	47	0	0	3,073	0
Japan	3,073	2,814	0	260	0	0	0

GROUP SECTOR EXPOSURE BY RATING

(in EUR million)	Total	AAA	AA	A	BBB	NIG[1]	D	No rating
Local public sector	33,237	2,335	3,778	10,197	12,037	4,653	215	22
Sovereigns	27,900	13,462	0	1,193	13,132	11	0	0
Financial institutions	6,227	0	110	4,816	1,286	7	0	9
Project finance	6,456	0	18	1,260	3,770	1,112	295	0
Corporates	5,558	0	0	1,406	4,121	26	4	0
ABS/MBS	1,278	0	1,179	3	0	96	0	0
Monolines	1,317	0	0	1,133	184	0	0	0
Total	81,972	15,797	5,086	20,007	34,530	6,007	514	31

(1) Non-investment grade.

The uncertainties linked to the Covid-19 pandemic, its scope and duration are likely to lead to significant deterioration in the credit quality of the counterparties to which Dexia Crédit Local is exposed. Dexia Crédit Local has implemented a precise monitoring of the most fragile counterparties in its portfolio, targeting the most exposed counterparties by geographical area and/or by sector of activity. The impacts related to the pandemic are detailed below by sector and in Note 1 to the consolidated financial statements in this Annual Report.

Dexia Crédit Local Group commitments to sovereigns

Dexia Crédit Local Group commitments to sovereigns are concentrated essentially on Italy, France and, to a lesser extent, Portugal. The Covid-19 pandemic had an unprecedented global impact. In Europe, it hit Italy, Spain and the UK particularly hard. As a result of the lockdown measures, economic activity collapsed, with GDP expected to fall by around 10% for these three countries and a rebound of around 4-5% expected in 2021.

The States, the European Union and supervisors have deployed extensive monetary and fiscal measures to deal with this exceptionally large economic crisis. The fall in tax revenues and the measures put in place have resulted in a significant increase in public debt levels. However, central bank support measures are now allowing European sovereigns to finance themselves at low rates, making these debt levels more sustainable.

Italian sovereign exposure amounted to EUR 10 billion as at 31 December 2020. Following the sharp increase in Italy's public debt level, Dexia Crédit Local lowered its internal rating from BBB to BBB-, in line with the ratings assigned by the main rating agencies.

The negotiations concerning the exit of the United Kingdom from the European Union finally led to the conclusion of an agreement just before the end of the transition period. This agreement is essentially limited to goods, with little on services and no decision on equivalence for financial services.

Dexia Crédit Local has no significant exposure to the British sovereign. Its total exposure to the United Kingdom is nevertheless significant, at EUR 20 billion as at 31 December 2020, and mainly concerns local authorities, utilities active in the field of water, gas and electricity transmission and distribution, project finance and social housing, a priori not very sensitive to the consequences of the United Kingdom's exit from the European Union.

Tunisia has been hit hard by the Covid-19 pandemic, notably through the decline in tourism, a key sector for the country. Public and external debt, already high, has risen sharply. Even if an agreement with the International Monetary Fund still seems possible, the current political and social turmoil weighs considerably on the country's situation. As a consequence, Dexia Crédit Local downgraded Tunisia's rating from B+ to B, keeping the negative outlook. As at 31 December 2020, Dexia Crédit Local's outstanding exposure to Tunisia amounted to EUR 112.8 million, entirely concentrated on the sovereign.

Dexia Crédit Local Group commitments to the local public sector

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

France

Dexia Crédit Local's exposure to the French public sector amounted to EUR 5.8 billion as at 31 December 2020.

On the eve of the crisis, local authorities were in very good financial health, with self-financing capacities increasing thanks to good management and dynamic local taxation.

The impact of the crisis on local government finances is nevertheless material and will be spread over time, depending on the nature of the authority. The most significant impact is recorded in 2020, since a drop of EUR 55.2 billion in tax revenue is expected, primarily affecting municipalities and departments, as well as a EUR 2.3 billion decrease in tariff revenue (parking, family benefits and so on) linked to the lockdown episodes. An additional cost of EUR 3.6 billion could also materialise in order to adapt public services and help the population. However, this overall impact should be put into perspective since it is partially offset by the growth in household tax revenue (EUR +2.4 billion) and operating savings (EUR +1.4 billion).

However, the impact suffered by each level of authority is heterogeneous. Tourist municipalities and overseas towns are particularly affected and require special attention. The departments are also faced with a significant scissor effect given the probably lasting increase in their social expenditure, which could vary significantly from one territory to another. They could also be penalised by the immediate fall in revenue from the property market. The regions are less affected in 2020 but should see their investment capacity reduced in 2021.

Nevertheless, access to borrowing is also facilitated for the local public sector, which benefits from conditions close to those of the State and much better than those of companies. Finally, the State provides rapid and substantial support to local authorities in difficulty via cash advances, a guarantee to maintain tax revenues, resource guarantees for overseas authorities or a repayable advance to compensate for the drop in revenues from the property market for the departments.

Italy

Dexia Crédit Local's exposure to the Italian public sector amounted to EUR 8.3 billion as at 31 December 2020, of which the bulk is with Regions (55.4%) and Municipalities (32.2%). Dexia Crédit Local benefits on these exposures from guarantees provided by law (*delegazione di pagamento or iscrizione in bilancio*).

According to government forecasts, municipalities are the most affected by the pandemic, with an overall decrease in revenues of 11%. The fall is limited to 1% for the regions and provinces, which benefit from an increase in current transfers and record a 2% increase in revenue. Various support funds have been set up by the government to help the public sector to offset these revenue declines. The main ones are:

- The funds for the exercise of the fundamental functions of local authorities, with an allocation of EUR 3.5 billion for 2020 for municipalities, provinces and metropolitan cities;
- The fund for the exercise of the health, welfare and education functions of the regions with an allocation of EUR 4.3 billion for 2020;
- The fund for local public transport with an allocation of EUR 0.9 billion for 2020;
- The fund for the payment of old bills to suppliers, with an allocation of EUR 12 billion for 2020.

To date, no payment default has been observed on Italian local authorities, including municipalities.

Spain

The Spanish State's support for the regions and municipalities continues through the renewal of several financial support funds. Indeed, in 2020, EUR 35.9 billion was paid to the regions, in particular via the Liquidity Fund for the Regions (FLA) and EUR 4.2 billion under the extra FLA, making it possible to cover the deficit gap in relation to the objective. In return for this aid, the State's control over regional or local finances is reinforced.

Following the Alarma Decree, the State took control of health services throughout Spain, in coordination with the autonomous Regions.

The liquidity of the regions is still provided by the State (FLA, FF). In addition, the State has granted funds to its regions, including EUR 16 billion via the Covid-19 fund at the end of 2020, EUR 325 million via the extraordinary fund for the provision of basic social services and EUR 300 million via the health and pharmacy benefits programme. Finally, the deployment of the resources of the national housing plan has been brought forward, representing EUR 447 million.

Dexia Crédit Local has a high outstanding amount of EUR 1.4 billion on Catalonia and its related entities. Catalonia is one of the main Spanish regions and an important centre of economic attractiveness for Spain, but its financial situation remains tense. It therefore benefits from strong support from the State. No payment incident on Catalonia or the other Spanish regions to which Dexia Crédit Local is exposed was recorded in 2020.

Most of Dexia Crédit Local's clients in the municipal and provincial segment are in good financial health, with a surplus cash situation except for some clients the maturities of which are covered by the *Fondo de Ordenacion*. In addition, municipalities and provinces are allowed to allocate their surpluses to meet social needs due to Covid-19 (Article 3 of the Decree on State Alert Measures). In case of lack of liquidity, municipalities benefit from cash lines from the Provinces (*Diputaciones*), in the form of advances for tax collection. Finally, cities and provinces in difficulty due to the crisis benefit from the Extraordinary Fund for the provision of social services, as well as from current transfers from their respective regions.

United States

Most of the local public sector exposure in the US is to states (55%) and local governments (4.8%). Like the US local government market, Dexia Crédit Local's portfolio is of good quality and is generally insured by monolines.

The main risks affecting the sector are the medium and long-term risks related to the increase of pension liabilities, with a greater or lesser capacity for reform depending on the legislative framework of each State, and to the possible subordination of bond lenders to the beneficiaries of the pension schemes.

As at 31 December 2020, Dexia Crédit Local had an exposure of EUR 1.1 billion on the State of Illinois. The latter is strongly impacted by the Covid-19 crisis and lockdown measures, with VAT and income tax revenues representing 72% of the State's revenues. In addition, the State has low financial flexibility, due to its high unfunded pension liabilities and rising unpaid bills. However, the State will benefit from the USD 1.9 trillion federal support package. USD 350 billion of this plan will be reserved for the states, which will have greater flexibility in the use of these funds.

Dexia Crédit Local Group commitments to project finance and corporates

The project finance and corporate loan portfolio amounted to EUR 12 billion as at 31 December 2020, down 14% compared to the end of 2019. This portfolio contracted, on the one hand, due to natural amortisation and some early redemptions and, on the other hand, as a result of Dexia Crédit Local's asset disposal programme.

53.7% of this portfolio is composed of project finance[1], the remainder being corporate finance, such as acquisition finance, trade finance or corporate bonds.
The portfolio is of good quality: 78% of project finance and 99% of corporate finance is rated investment grade.
In terms of geographical spread, the UK accounts for approximately 55% of the project finance (PPP) and corporate (utility) portfolio. 97% of this exposure is rated investment grade. At this stage, Dexia Crédit Local has not seen any significant negative impact from the UK's exit from the European Union and does not anticipate any in the short term.
The Project and Corporate Finance sector is one of the sectors the activity of which been strongly impacted by the Covid-19 pandemic. Given the security and liquidity reserves included in project finance, the impacts of the pandemic are bearable in the short term. The final impact will depend on the duration of the crisis and the recovery conditions. After analysis of the bank's portfolio, the main sectors impacted in which Dexia Crédit Local has a significant presence are:
• The Airport sector (exposure of EUR 171 million). The sector is very heavily impacted but the counterparties seem to be able to cope with the temporary reduction of their activity. Some of these exposures are guaranteed by a monoline.
• The transport infrastructure sector bearing a traffic risk (excluding airports) on which Dexia Crédit Local has an exposure of EUR 785.5 million, mainly in Europe. These counterparties generally benefit from reserve accounts allowing them to cover a half-yearly maturity, which allows them to assume the very strong decrease in traffic observed during the months of lockdown. Initial traffic data indicate a satisfactory recovery after the first lockdown and a lesser impact during the second.
• The oil and gas sector to which Dexia Crédit Local has a low exposure, amounting to EUR 11.9 million. The difficulties encountered in 2020 (falls in energy prices), are only partly due to the health crisis. To date, the quality of Dexia Crédit Local's exposures in this sector remains globally satisfactory, with the exception of one fully provisioned case.

Dexia Crédit Local Group commitments to ABS

As at 31 December 2020, Dexia Crédit Local's ABS portfolio amounted to EUR 1.3 billion. 92.5% of the portfolio is investment grade, compared to 92.3% at the end of December 2019.

Dexia Crédit Local Group commitments to financial institutions

Dexia Crédit Local's commitments to financial institutions amounted to EUR 6.2 billion as at 31 December 2020.
The sudden halt of activity in a large number of world economies in the first half of 2020 led to a decrease in lending volumes and a fall in interest income. Some financial institutions, notably systemic banks, have nevertheless seen their trading revenues benefit from the volatility on the financial markets.
Supervisors provided unprecedented support measures to ease regulatory pressures on financial institutions, which mitigated the credit risk on those counterparties. However, financial players have significantly increased provisions on their outstanding loans, notably due to significant downgrades in GDP assumptions, coupled for some financial counterparties with negative developments in the commodities market, notably oil.

(1) Non-recourse transactions on their sponsors the redemption of which is based solely on their own cash flows and which are highly secured for the benefit of the bank, e.g. through collateral on assets and contracts or a limitation on dividends.

With regard to outstanding loans granted within the context of the pandemic, specific reporting is now published on the basis of data from the first half of 2020, making it possible to establish the impact of the crisis more precisely, by sector or by geographical area. While the volume of loans granted by banks and classified as sensitive sectors was revised upwards during the year, uncertainties remain regarding the medium-term evolution of the stock of non-performing exposures, which is limited at this stage.
For banks concentrated in the UK market, there is evidence of further potential deterioration in their credit quality due to Brexit and the domestic economic slowdown. Overall, the impact of the Covid-19 crisis and the rating outlook remain negative, particularly for banks with a high concentration in their domestic retail market.

Dexia Crédit Local Group commitments to monolines

Dexia Crédit Local is indirectly exposed to monolines in the form of financial guarantees covering timely payment of the principal and interest payable on certain bonds and loans. Claims against monoline insurers only become payable if real defaults occur in the underlying assets. Dexia Crédit Local'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 2020, the amount of exposures enhanced by monolines was EUR 8 billion and 74% of the exposures were insured by monolines rated investment grade by at least one external rating agency. With the exception of one counterparty, all monolines continue to honour their original commitments.

Impairment on counterparty risks - Asset quality

ASSET QUALITY

(in EUR million)	31/12/2019	31/12/2020
Impaired assets [1]	614	556
Specific provisions [2]	142	133
o/w Stage 3	*135*	*123*
POCI	*7*	*10*
Coverage ratio [3]	23.12%	24.0%
Collective provisions	166	320
o/w Stage 1	*5*	*21*
o/w Stage 2	*161*	*299*

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

The year 2020 was marked by:
• the impact of the health crisis on the estimation of collective provisions with, in particular, an update of the macroeconomic scenarios used to determine the Probability of Default (PD) and Loss Given Default (LGD) taken into account for the assessment of expected credit losses under IFRS 9 and a review of the sensitive sectors systematically integrated in Stage 2,
• the review of the PD and LGD models on the US municipal sector,
• the review of specific provisioning models, following the introduction of a new methodological guide defining the various applicable provisioning models for each type of counterparty,
• the continuing transformation of the Dexia Group and the asset disposal programme.

As at 31 December 2020, collective provisions amounted to EUR 320 million, of which EUR 21 million in Stage 1 provisions and EUR 299 million in Stage 2 provisions. The increase of EUR 138 million in Stage 2 provisions over the year is spread over the whole portfolio with however a concentration on the Tunisian sovereign (EUR +51 million) and the State of Illinois (EUR +25 million).

Dexia Crédit Local's stock of impaired loans and receivables amounted to EUR 556 million as at 31 December 2020, down by EUR 58 million compared to the end of 2019. Earmarked specific provisions amounted to EUR 134 million, down EUR 9 million compared to 31 December 2019.

The decrease in impaired assets and specific provisions was mainly explained by the sale of a motorway concession in France, the resolution of a dispute with an Italian local authority resulting in a reversal of provisions recorded on unpaid margin calls and the removal of the doubtful status for a solar energy plant in Spain.

The additional variations in specific provisions are linked to the implementation of new directives standardising the specific provisioning models applicable to Dexia Crédit Local's portfolios as well as to scenario reviews linked either to the impacts of the health crisis or to the latest financial developments on certain counterparties.

As a consequence, the coverage ratio stands at 24% as at 31 December 2020.

Non-performing exposures and Forbearance practices

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.

This new framework was implemented at Dexia Crédit Local in the second half of 2020.

- Non-performing exposures bring together outstanding amounts unpaid for more than 90 days or for which Dexia Crédit Local considers that the counterparty is unable to repay without implementing guarantees. As at 31 December 2020, the outstanding amount of non-performing exposures amounted to EUR 1 billion, corresponding to 57 counterparties. The decrease of EUR 0.65 billion is mainly related to NPE exits from counterparties related to the social housing sector in France.
- The definition of Forbearance brings together the facilities granted by banks to counterparties experiencing or likely to experience financial difficulties in dealing with their commitments (facilities which the banks would not otherwise have granted). As at 31 December 2020, 39 counterparties were subject to Forbearance, for an outstanding amount of EUR .45 billion.

Market risk

Risk measurement

Dexia Crédit Local 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 Crédit Local 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 Dexia Crédit Local trading portfolio consists of two groups of activities:

- transactions initiated by financial instrument trading activities until the date of the Dexia 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 main risk factors of the trading portfolio are:

- the interest rate risk, in particular on the euro zone and 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 2020, total consumption in VaR was EUR 1.1 million against EUR 1 million at the end of 2019.

VALUE AT RISK OF THE TRADING PORTFOLIOS

(in EUR million) **VaR (10 days, 99%)**	**2019**	**2020**
Average	1.4	1.5
End of period	1.0	1.1
Maximum	2.9	20.3
Minimum	0.8	1.0

Sensitivity to the evolution of credit spreads of banking portfolios classified at fair value

On 19 July 2019, the Dexia Board of Directors approved the implementation of a new asset disposal programme. In accordance with IFRS 9, this change in management intent has resulted in a change in business model and therefore in the reclassification of the assets concerned as at 1 January 2020. The assets concerned, which had been classified at amortised cost when IFRS 9 was first applied, have been reclassified at fair value through profit or loss or equity, which has increased Dexia Crédit Local's sensitivity to changes in the fair value of the assets concerned until they are disposed of. However, the credit risk sensitivity of assets classified at fair value has decreased during 2020 as a result of asset sales and natural amortisation.

Indeed, the portfolio classified at fair value through equity has a sensitivity to an increase in credit spreads of EUR -2.2 million as at 31 December 2020 against EUR -2.9 million in January 2020. The portfolio classified at fair value through profit or loss has a sensitivity to an increase in credit spreads of EUR -2.1 million at 31 December 2020 compared to EUR -3.4 million in January 2020. Of these assets classified at fair value by profit or loss, those not meeting the SPPI criterion have a stable sensitivity over 2020 at EUR -1 million per basis point.

Transformation risk

Dexia Crédit Local's Asset and Liability Management (ALM) policy aims to reduce liquidity risk as much as possible and to limit exposure to interest rate and exchange rate risk.
The actions taken by Dexia Crédi Local in 2020 to reduce the sensitivity of its balance sheet and its results to interest and exchange rate parameters are detailed in the "Highlights" chapter in this Annual Report.

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. Dexia Crédit Local's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia Crédit Local's assets and liabilities after hedging for interest rate risk.
The sensitivity of long-term ALM was EUR -14.3 million as at 31 December 2020, against EUR -27.7 million as at 31 December 2019. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2019	2020
Sensitivity	(27.7)	(14.3)
Limit	+/-80	+/-130

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 associated with the funding of holdings in foreign currencies,
- elements liable to increase the volatility of the solvency ratios of Dexia Crédit Local or its entities.

Structural exchange positions are subject to strict limits below which a systematic hedge policy is applied.

Management of liquidity risk

Dexia Crédit Local's policy for managing liquidity risk

Dexia Crédit Local's main objective is to manage its liquidity risk in euros and in foreign currencies, as well as to monitor the cost of funding so as to optimise its results and to minimise volatility.
The liquidity management process aims to optimise the coverage of the bank'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 Crédit Local 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 bank's liquidity situation, the Management Board regularly monitors the conditions for funding transactions on the market segments on which Dexia Crédit Local operates. It also guarantees proper execution of the funding programmes put in place. To that end, a specific and regular mode of information has been introduced:
- A daily and, if necessary, weekly report is provided to members of the Management Board, the State shareholders and guarantors and the supervisory authorities. This information is also used by all parties involved in managing Dexia Crédit Local'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 central banks.

Measurement of liquidity risk

At the end of 2019 the European Central Bank confirmed to Dexia Crédit Local that the liquidity coverage ratio (LCR) and the net stable funding ratio (NFSR) were no longer expected at a Dexia Crédit Local consolidation level. As a consequence, Dexia no longer produces these ratios at that consolidation level but continues to calculate them at the consolidated level for the Dexia Group and at the level of the Dexia Crédit Local entity (statutory). As at 31 December 2020, the Dexia Group (consolidated) and Dexia Crédit Local (statutory) had an LCR ratio of 222% and 199% respectively, well above the minimum requirement of 100%.
As at the same date, the net stable funding ratios (NFSR) were also in line with those requirements, and well above the 100% threshold, amounting to 136.2% for the Dexia Group (consolidated) and 127% for Dexia Crédit Local (statutory).

Operational risk and IT systems security

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

Dexia Crédit Local'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 Crédit Local'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:

• Operational risk event database: the systematic capture and monitoring of operational incidents is one of the main requirements of the Basel Committee. In accordance with its regulatory obligations, Dexia Crédit Local has put in place a system to identify operational incidents and to collect specific data. The information collected enables it to improve the quality of its internal control system. Over the last three years, 99% of the losses according to the Basel definition came from incidents referenced in the "Execution, delivery and process management" category. For the year 2020 as a whole, there was no direct financial impact, the impact being mainly related to days/men lost as a result of IT incidents and reported under the category "Systems or infrastructure failure". In general, operational incidents are reported when there is a failure in a business line process such as connectivity to the IT system, and the direct cause is often a failure in the correct operation of IT systems.

• Risk & Control Self-Assessment (RCSA): in addition to establishing a loss history, a mapping of Dexia Crédit Local's exposure to key risks is carried out regularly. All entities of the Dexia Crédit Local Group carry out risk self-assessment exercises taking into account existing controls and thus making it possible to build up an overall view of operational risks in the various entities and activities, in France and internationally. The overall mapping is presented to the Management Board. Risk mitigation actions can be defined if necessary. Finally, an RCSA specifically covering the IT and Back-Office activities provided by Cognizant is conducted annually by Cognizant and then challenged by the Operational Risk and Permanent Control functions of Dexia Crédit Local. It should be noted that a Risk & Control Assessment (RCA) covering critical or important services has also been implemented.

• 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 Crédit Local'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 business continuity plans

In particular in 2020, from the very beginning of the crisis, Dexia Crédit Local closely monitored the evolution of the situation linked to the spread of Covid-19 throughout the world and particularly in Europe. The Management Board rapidly activated an operational and a strategic crisis cell in order to protect its teams and ensure operational continuity. The effective deployment of the necessary resources and the exceptional mobilisation of the teams quickly enabled all staff members to work remotely. Crisis management was facilitated by the finalisation, with Cognizant, of the IT infrastructure renovation project at the end of 2019. The department in charge of monitoring operational risks was fully involved in the coordination of this mechanism, thus ensuring the continuity of all activities within a reinforced security framework.

Dexia Crédit Local applies the standard approach provided for in the Basel regulatory framework to calculate the minimum regulatory capital for operational risk management.

Management of operational risk during the period of resolution

In 2020, Dexia Crédit Local 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.

A follow-up of operational risks in the execution of major projects is also carried out on a quarterly basis and ensures that corrective actions are implemented to reduce the most important risks.

Finally, psychosocial risks are closely monitored at Dexia Crédit Local, accompanied by preventive and support actions.

More information on the actions undertaken by Human Resources to mitigate operational risk is provided in the chapter "Non-financial declaration. Corporate, social and environmental responsibility" in Dexia's Annual Report.

Climate risk

Dexia Crédit Local has put in place a segmentation and monitoring of all its exposures according to climate risk (very low/ low/medium/high/very high risk). Climate risk may impact credit risk even if the magnitude, timing and probability of occurrence of events remains difficult to predict. Such an impact may result in a deterioration of risk over time, resulting in lower revenues and additional costs or investments, impacting the bank's capital through an increase in risk-weighted assets or credit provisions. In extreme cases, this could lead to defaults, as a consequence of the disappearance of an economic sector or the occurrence of an event impacting the counterparty's only or main physical asset.

Climate risk can be broken down into:

• Transition risk[1]: change of behaviour of clients or investors / financers, technological evolution, regulatory changes and so on;

• Physical risk [2]: whether chronic (rising sea level, temperature increases, reduction of water stocks and so on) or extreme (hurricane, drought, flood and so on).

Given the nature of its exposures and the disposal programmes, Dexia Crédit Local has relatively low transition risk exposure. According to the estimates made, 0.4% of the exposures present a medium to very high transition risk. This is mainly an exposure to a coal-fired power plant in Eastern Europe, which will be repaid within 3 years, and to a gas-fired

(1) Definition from the ECB's Guide on climate-related and environmental risks*: "An institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy."*

(2) Definition from the ECB's Guide on climate-related and environmental risks*: "Financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation."*

power plant in Australia, as well as exposures to the liquefied natural gas sector in Qatar and to power companies in the United States.
Considering the high duration of the portfolio, Dexia Crédit Local is more sensitive to physical risk, with 13.5% of the portfolio exposed to medium to high risk after 2025. Physical risk until 2025 is not considered given the geographical distribution of Dexia Crédit Local's exposure. The physical risk is mainly due to public sector exposures in Japan, Australia, the United States and, to a lesser extent, Italy and Spain, with residual maturities exceeding 20 years. However, no exposures have been identified as representing a very high physical risk.
Dexia Crédit Local's climate risk assessment process will be regularly updated and progressively developed in line with the nature of the risks and the specificities of the bank's asset portfolio.
Further information on the environmental impact of the outstanding amounts financed by the Dexia Group is provided in the chapter "Non-financial statement. Corporate, social and environmental responsibility" in Dexia's Annual Report.

Stress tests

Stress tests and scenario analyses

Dexia Crédit Local carries out multiple scenario analysis and stress test exercises in a transversal approach integrated into its risk management process. Their objective is to identify possible vulnerabilities and to estimate simultaneously, in an unfavourable shock situation, additional losses, a possible increase in risk-weighted assets, additional liquidity needs or capital requirements.
These exercises used for internal steering purposes also ensure compliance with the relevant regulatory requirements, in particular those relating to stress tests, Pillar 2 and the ICAAP and ILAAP processes defined by the ECB [(1)]. Indeed, a comprehensive stress testing programme following the relevant regulations is implemented to ensure a coherent articulation between the different types of stress, notably market, credit, liquidity and the stresses required under Pillar 2. The main stresses carried out in 2020 relate to:

- Specific credit stress tests for the main asset classes. Credit exposures by asset class were subject to annual sensitivity tests, macroeconomic, historical and expert scenarios. The impacts on the cost of risk, risk-weighted assets and liquidity reserve were analysed. The results of the stress scenarios were compared with the results of the Value at Risk (VaR) approach to credit risk. Specific analyses of the sensitivity to environmental risks were also performed.
- Market stress tests highlighting potential events outside the probabilistic framework of VaR measurement techniques. They were divided into single risk factor tests, historical scenario tests and hypothetical scenario tests.
- Structural interest rate risk stress tests to measure the potential impact on Dexia Crédit Local's capital of a sudden and unexpected change in interest rates, thus meeting regulatory expectations.
- Liquidity stress tests to estimate additional liquidity needs in exceptional but plausible scenarios over multiple time horizons.
- Operational risk stress tests based on the analysis of the frequency and severity of operational incidents, complemented by "expert scenario" analyses covering IT, HR and outsourcing risks. These different categories of risk are managed within the *Risk Appetite Framework*.

A series of specific stress tests including sensitivity and scenario analyses based on macroeconomic scenarios simulating crisis situations and expert scenarios is also performed. In line with the Pillar 2 requirements and the capital adequacy measurement requirements, these stress tests are linked to the ICAAP and ILAAP processes. Although the 2019 EBA stress test has been stopped, the EBA adverse scenario has been assessed in the ICAAP framework.
Within the specific context of the Covid-19 health crisis, specific scenarios were applied. These stress tests take into account, among others, the severe macroeconomic scenario as published by the European Central Bank (ECB) and the national banks in the context of the pandemic.
For the ICAAP and ILAAP stresses, at regular intervals Dexia Crédit Local performs a comprehensive review of its vulnerabilities to cover all material risks, related to its business model under stressed macro-economic and financial conditions. This review documented by the ICAAP/ILAAP processes is applied and complements the financial planning process.
In addition, reverse stress tests are also conducted. The ICAAP and ILAAP file is independently reviewed by the internal validation and internal audit departments.
Stress tests and other stress tests for ICAAP and ILAAP are carried out several times a year and cover both the regulatory and economic perspectives. In line with regulatory requirements, the annual exercise carried out in April 2020, based on end-2019 figures, was transmitted to the ECB. These tests are an integral part of the Risk Appetite Framework (RAF) and are incorporated into the definition and review of the overall strategy. The link between the risk appetite, the adaptations of the strategic resolution plan and the ICAAP and ILAAP stress tests is ensured by specific capital consumption indicators forming part of the RAF.

Litigation

Like many financial institutions, Dexia Crédit Local is involved as a defendant in several litigation and investigations. Unless otherwise indicated, the status of these litigation and investigations as at 31 December 2020 is based on the information available to Dexia Crédit Local at that date.
On the basis of this information, other litigation and investigations in which a Dexia Crédit Local Group entity is named as a defendant are either not expected to have a material impact on Dexia Crédit Local's financial position or it is too early to assess precisely whether or not they may have a material impact.
Dexia Crédit Local's consolidated financial statements reflect the consequences, as assessed by the bank on the basis of the information available to it at the date mentioned above, of the main litigation and investigations which may have a material impact on Dexia Crédit Local's financial position, results or activities and provisions have been recorded where necessary.
Details of litigation in which a Dexia Crédit Local Group entity is named as a defendant are provided in Note 3.6 to the consolidated financial statements in this Annual Report.

(1) *In line with the directives of the European Banking Authority (EBA) published in July 2018* – Guidelines on the revised common procedures and methodologies for the Supervisory review and evaluation process (SREP) and Supervisory stress testing and Guidelines on institutions' stress testing – and requirements formulated by the European Central Bank in November 2018 – *ECB Guide to the internal capital adequacy assessment process (ICAAP) and ECB Guide to the internal liquidity adequacy assessment process (ILAAP).*

Information on capital and liquidity

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

Share capital

Share capital and number of shares

As at 31 December 2020, the share capital of Dexia Crédit Local amounted to EUR 279,213,332. It is divided into 279,213,332 shares with a nominal value of EUR 1.00. Each share gives a right to one vote and none is subject to pledge. To date, there is no other security giving access to the capital of Dexia Crédit Local.

Shareholding structure

Dexia Crédit Local's share capital is held directly and almost exclusively by Dexia. The Chief Executive Officer holds one (1) registered share in the company.
Indirectly, through Dexia, Dexia Crédit Local's capital is held 52.78% by the Federal Holding and Investment Company (FHIC) acting under delegation on behalf of the Belgian government and 46.81% by the French government.

Dividends paid during the past five years

No dividends have been paid in respect of the past five years and the Board of Directors will propose at the next shareholders' meeting that no dividend be paid in respect of 2020.

As at 31 December	2016	2017	2018	2019	2020
Capital (in EUR)	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
Total number of shares	279,213,331	279,213,331	279,213,331	279,213,331	279,213,331
o/w Dexia	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*
o/w Individual investors (directors)	*1*	*1*	*1*	*1*	*1*

Prudential equity and solvency

Dexia Crédit Local 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 Crédit Local with regard to solvency

On 10 December 2019, 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, 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 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).
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 Crédit Local 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 Crédit Local 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.

(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

On 5 February 2021, the ACPR also confirmed to Dexia Crédit Local the provisional maintenance of a tolerance that allows it to deduct from its CET 1 regulatory capital the economic impact of remedying a failure to comply with the large exposure ratio for one sovereign exposure.

Temporary adjustments to the Capital Requirements Regulation (CRR Quick-Fix)

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 (Dynamic phase-in).

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 Crédit Local made use of these temporary provisions when preparing its prudential statements and its solvency ratios as at 31 December 2020. Those adjustments had an impact of EUR 221 million and are detailed hereunder.

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

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[1] and elements subject to prudential filters (own debt risk, Debit Valuation 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 Crédit Local uses the 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 85% in 2019 and 70% in 2020 (Static phase-in).

• 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.

(1) Cf. Dexia press release dated 5 February 2018, available at www.dexia.com.

PRUDENTIAL EQUITY

(in EUR million)	31/12/2019	31/12/2020
Total Capital	**6,325**	**5,863**
Common Equity Tier 1 Capital	**6,269**	**5,807**
Core shareholders' equity, of which:	6,644	6,095
Gains and losses on financial instruments directly recognised in equity, eligible at a prudential level	*(141)*	*(135)*
Translation differences – Group	*148*	*38*
Actuarial differences on defined benefit plans	*0*	*0*
Mitigation of the effect of the increase of expected credit losses following the application of IFRS 9 (85% in 2019, 70% in 2020) (Static phase-in)	150	123
Dynamic phase-in (Covid-19 measures)	0	152
Temporary regulatory capital neutralisation of changes in the fair value of certain sovereign and public sector assets classified at fair value through equity (Covid-19 measures)	0	10
Items to be deducted		
Intangible assets and goodwill	*(29)*	*(21)*
Debit valuation adjustment	*(41)*	*(49)*
Prudent Valuation	*(212)*	*(190)*
Deduction of irrevocable payment commitments to resolution funds and other guarantee funds	*(49)*	*(59)*
Assets from defined benefit pension funds	0	*(1)*
Deduction for persistent breaches of large exposure constraint	*(121)*	*(107)*
Additional prudential provisions	(80)	*(41)*
Additional Tier 1 capital (hybrid)	**17**	**11**
Subordinated debt	17	11
Additional Tier 2 Capital	**39**	**45**
Subordinated debt	39	45
Of which additional Tier 1 reclassified (hybrid)	*39*	*45*

Dexia Crédit Local's Total Capital amounted to EUR 5.9 billion as at 31 December 2020, compared to EUR 6.3 billion as at 31 December 2019.
As at 31 December 2020, Dexia Crédit Local's Common Equity Tier 1 Capital amounted to EUR 55.8 billion, against EUR 6.3 billion as at 31 December 2019. It is burdened by the negative net income for the year (EUR -557 million).
Dexia Crédit Local'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 (CRR Quick-Fix) validated by the European Parliament in June 2020.
Dexia Crédit Local 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, amounted to EUR -107 million[1];
- The amount of irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, at 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 Crédit Local deducted from its prudential capital an amount of EUR -41 million as additional specific provisions.
As at 31 December 2020, the nominal amount of Dexia Crédit Local's hybrid Tier 1 securities amounted to EUR 56 million, of which EUR 11 million are eligible as additional Tier 1. No hybrid debt repurchase was carried out during 2020, in line with the ban imposed by the European Commission and communicated by Dexia on 24 January 2014[2]. Dexia Crédit Local'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 (FR0010251421), listed on the Luxembourg Stock Exchange.
As at 31 December 2020, the amount of Dexia Crédit Local's additional equity (Tier 2 Capital) amounted to EUR 45 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 Crédit Local 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 Crédit Local cannot exercise any discretionary options for the early redemption of these securities. Finally, Dexia Crédit Local is not authorised to repurchase its hybrid capital debt (FR0010251421), as subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions which have been granted State aid.

(1) Cf. Dexia press release dated 5 February and 26 July 2018, available at www.dexia.com.
(2) Cf. Dexia press release dated 24 January 2014, available at www.dexia.com.

Risk-weighted assets

As at 31 December 2020, risk-weighted assets amounted to EUR 23.7 billion against EUR 22.9 billion at the end of December 2019, of which EUR 22.1 billion for credit risk, EUR 1 billion for market risk and EUR 0.6 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 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.

RISK-WEIGHTED ASSETS

(in EUR million)	31/12/2019	31/12/2020
Credit risk	22,923	22,061
Market risk	3,183	1,031
Operational risk	600	600
Total	26,706	23,692

Solvency ratios

Dexia Crédit Local's Common Equity Tier 1 ratio was 24.5% as at 31 December 2020, compared to 23.5% at the end of 2019. The Total Capital ratio was 24.7%, compared to 23.7% 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.

SOLVENCY RATIOS

	31/12/2019	31/12/2020
Common Equity Tier 1 Ratio	23.5%	24.5%
Total Capital Ratio	23.7%	24.7%

Liquidity management

Despite the strong market turbulence caused by the Covid-19 pandemic in the first half of the year, Dexia Crédit Local did not experience any disruption in its refinancing and liquidity management.
Dexia Crédit Local'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 Crédit Local 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, Dexia Crédit Local's liquidity reserve amounted to EUR 18.5 billion, of which EUR 11 billion was in the form of cash.

Information on internal and external control

Internal Control

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.

(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 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.

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.
• 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 (also General Auditor of Dexia Crédit Local), who reports to the Chief Executive Officer of Dexia (also Chief Executive Officer of Dexia Crédit Local). 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/Dexia Crédit Local. The General Auditor of Dexia/Dexia Crédit Local 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/Dexia Crédit Local.

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/Dexia Crédit Local.

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 entity. 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/Dexia Crédit Local 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 2020

In 2020, Internal Audit missions covered all the Group's areas: Assets ("Long Tail Portfolio"), Funding and Markets ("Management of Derivatives"), Risk ("Prudent Valuation"), Finance ("Tax Activities & Reporting"), Secretariat General ("Reform of Monetary Indices"), Operations and Information Systems ("Access Management").

The head office audit departments assisted the local audit teams at Dexia Crédit Local 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 General Auditor of Dexia/Dexia Crédit Local.

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 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 2020

In accordance with the principles set out in the Inspection charter, the tasks performed by Inspection in 2020 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 in the Group dealing rooms under an audit mission format.

The Compliance function

The Compliance function is an independent function within the Dexia Crédit Local 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 (whistleblowing);
- other fields indicated by the Management Board and the Board of Directors, considering the level of associated risk.

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 and practical guides in order to ensure 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, closer 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, credit rating, validation of internal models and market risk.

In 2020, 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 the main important or critical outsourced processes. First level controls to be integrated in this plan are proposed by the network of 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 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.

Control and monitoring of the internal control system

The Audit Committee and the Board of Directors

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 reports from internal control presented at least once per annum by the Internal Auditor (including the internal audit plan) and by the Chief Compliance Officer, Head of Permanent Control (including the results of second level controls).

Specialised committees (the Risk Committee and the Audit Committee), created within Dexia's Board of Directors, 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.

During the 2020 fiscal period, the Audit Committee implemented at Dexia level was delegated to assist the Board of Directors in carrying out its oversight of the management of Dexia Crédit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and is also responsible for managing relationships with the Statutory Auditors.

In accordance with the recommendations of the AMF, as part of its responsibilities, the Audit Committee:

- Analyses financial information, accounting procedures and compliance with legal, regulatory and statutory requirements;
- Examines, prior to their approval by the board and their publication, the half-year and annual financial statements;
- Examines the findings, comments and recommendations of the Statutory Auditors and may suggest any additional assignments it finds appropriate;
- Ensures that appropriate internal controls exist and have been implemented;
- Ensures that all recommendations made by regulatory authorities and the Dexia Crédit Local rules of conduct are taken into account;
- Is notified of the long-term audit plan and the audit plan for the coming year, and of any changes that may be made during the year;
- Ensures the adequacy of the resources at the disposal of the Internal Audit department;
- Is informed of the work performed by the Internal Audit and Bank Inspection departments through internal control reports, audit plan progress reports and recommendation monitoring reports;
- Is consulted on all audit-related regulations in effect within Dexia Crédit Local;
- Reviews the situation as regards compliance, and is consulted on the rules relating to the integrity and professional ethics policy in force, particularly in terms of protecting the image of the bank and the Group;
- Is informed of permanent control work (excluding compliance);
- Makes recommendations concerning the Statutory Auditors proposed for appointment at shareholders' meetings.

The Audit Committee reports on its work and observations to the Board of Directors.

The Chairman of the Board of Directors of Dexia Crédit Local is copied on the Internal Audit department's business review, and has access to all audit reports. He may regularly query Dexia Crédit Local's Chief Executive Officer or Executive Vice-Presidents about internal control issues. Lastly, he has direct access to the General Auditor and may request audit assignments if he feels this is appropriate.

The Management Board

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 Internal Control Committee is the body dedicated to dealing with internal control problems. Its members are the Chief Executive Officer and the Executive Vice-Presidents, the General Auditor and the Chief Compliance Officer.

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

The financial statements

Responsible for establishing the accounting and financial information, the Finance activity line has the following five departments, reporting to the Chief Financial Officer: Financial Strategy, Data and Regulatory Expertise, Accounting Control, Financial Controlling and Finance Business Management.

The Accounting Control department brings together the Accounting department and the transversal functions of Consolidation, 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 entities 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 Financial Controlling 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 impact 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, in particular to guarantee the integrity of the financial information.

Dexia statutory financial statements

For the preparation of the statutory financial statements, data is largely automatically posted to Dexia Crédit Local's accounting system by the upstream management systems used to manage transactions with customers and financial market counterparties as well as general operating expenses. When a transaction is recorded in any of these management systems, automated account mappings generate accounting entries automatically. These entries feed into the financial statements using a single accounting system that incorporates two sets of standards (French GAAP and EU IFRS [IFRS as adopted in the European Union]).

The exhaustiveness and accuracy of the source entries are guaranteed by the internal control systems of the management control teams. The team in charge of enforcing standards and policies validates the automated charts of accounts under both sets of accounting standards, as well as the processing of complex or unusual transactions. The latter are occasionally entered manually, but they are then covered by specific internal control procedures.

First-level controls are performed by accounting teams specialising in each activity line, notably through the analysis of bank reconciliations and technical suspense accounts. Each month, all transactions recorded in the general ledger system are reconciled with those in the management systems, and tests of symmetry are performed on micro-hedged transactions. In order to verify the comparability of interest expense and income from one period to another, these items are measured against average outstanding amounts to calculate more easily comparable average rates. Finally, these departments also draft reports summarising the work performed and identifying any points requiring special attention or procedural improvements to be made in subsequent closings.

Additional checks are also performed by other units of the Accounting department during monthly, quarterly and annual closings. The work done by the local accounting teams is reviewed periodically to ensure that all controls included in a standardised list have been correctly performed. The summary report issued by these accounting teams is also reviewed. The financial statements are reconciled with the management data at least once a quarter, and analytical tests are performed to verify the comparability of periods. Explanations of the main changes must be provided. During the past year, much of staff time was devoted to analysing these reconciliations. The automation of this work has made it possible to focus on the analytical phases, enabling the level of analysis to be maintained and the main changes explained.

The accounting entries generated during this process are subsequently compiled and aggregated using an automated, standardised process, to create the statutory financial statements of Dexia Crédit Local prepared under French GAAP and the company's contribution to the consolidated financial statements prepared under EU IFRS. The same is true of all subsidiaries whose accounting is performed at the Head Office. The Accounting department uses these financial statements, supplemented in some cases by data provided by the management systems, to establish the tables for the notes that form an integral part of the annual financial statements. The Accounting department then performs cross-checks between the summary reports and the notes to the financial statements. Throughout the entire process, reviews and tests of reasonableness and of compliance with the established procedures are conducted in accordance with the reporting authorities that have been established.

The same work is performed in each of the entities that make up the Dexia Crédit Local Group, although the degree of complexity may vary with the size of these entities and the activities in which they engage.

Dexia Crédit Local consolidated financial statements

In order to prepare their contribution to the Dexia Crédit Local 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 Crédit Local 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 adjustments made by the Consolidation service relate to the elimination of reciprocal accounts and intragroup transactions (such as acquisitions/asset disposals and dividends). 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 approved by the Board of Directors.

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

Publication of the Dexia Crédit Local financial statements

The financial statements are then incorporated into the annual report.

This accounting and financial information is made public in several ways:

- The financial statements are announced in a financial notice and/or published in BALO, the French official journal of required publications;
- The annual report is filed in electronic format with the AMF; it is also filed with the Clerk of the French Commercial Court and is posted on the website;
- The half-yearly financial report is filed electronically with the AMF and is posted on the website;
- As required by disclosure regulations, all annual and half-yearly reports are released through an AMF-certified distributor of financial news releases.

The Accounting and Communication departments perform reciprocal control cross-checks to ensure the consistency of the accounting and financial information published and made available to the public.

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, the press releases and the communication mediums used 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 accounting data in relation to management parameters, are provided by the Financial Controlling 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 Financial Controlling 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 "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 22 of the company's articles of association, the shareholders' meeting appoints two principal statutory auditors and two substitute statutory auditors meeting the conditions provided by the law and the regulations.

The auditors are appointed for six financial years, their office expiring after the shareholders' meeting dealing with the financial statements for the sixth financial year.

The auditors have the functions and powers granted to them by the law. Their remuneration is set in accordance with the applicable regulatory provisions.

The mandates of the principal statutory auditors and the substitute statutory auditors were renewed at the shareholders' meeting held on 19 May 2020 for a term of six financial years to expire at the end of the shareholders' meeting dealing with the financial statements for the financial year which closes on 31 December 2025:

- Principal statutory auditors: Mazars and Deloitte & Associés;
- Substitute statutory auditors: Mr Charles de Boisriou and BEAS.

Auditors' remuneration

This table gives a summary of the remuneration paid to the statutory auditors for their services in 2020 for Dexia Crédit Local.

Remuneration of Statutory Auditors for 2020

(in thousands of EUR)	Mazars	Deloitte
Certification of statutory and consolidated financial statements – Dexia Crédit Local in Paris	1,098	1,118
Certification of statutory and consolidated financial statements – Other entities	220	98
Other services	7	7

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Declaration of corporate governance

Declaration of corporate governance

Reference code

Dexia Crédit Local refers to the AFEP-MEDEF Corporate Governance Code for listed companies (February 2020, hereinafter called the "AFEP-MEDEF Code" – the document is available at *www.afep.com*).
The members of the Board of Directors are all obliged to abide by Internal Rules which define their duties, within the framework of the principles of the Dexia Crédit Local code of professional ethics.

Shareholders' meetings

Shareholders' meetings are convened under the conditions set by the law. They are held at the registered office or at any other place chosen by the author of the convocation.
Any shareholder is entitled to be sent the documents necessary for them to deliberate in full knowledge of the facts and to make an informed judgement on the management and supervision of the company.
The nature of such documents and the conditions of their being sent or made available are determined by the law and regulations.
Any shareholder is entitled to attend meetings simply by proving their identity, provided nonetheless that their shares are paid up as required.
Shareholders may be represented by another shareholder. Proxies must be lodged at the registered office at least five days prior to the meeting.
The voting right attached to shares is proportional to the amount of capital they represent. Each share gives a right to one vote.
Each member of the meeting shall have as many votes as represented by the shares he or she holds and those of the shareholder he or she represents.

The Board of Directors

Composition

Dexia Crédit Local also refers, in addition to the aforementioned provisions, to the provisions of its parent company (Dexia) regarding corporate governance as well as the operation of the Board of Directors.
The task of the Board of Directors is to determine the orientations of the activity of Dexia Crédit Local and to ensure their implementation. Its action is guided by the corporate interest, which is considered having regard for its shareholders, clients and staff members. There are no potential conflicts of interest between the duties, with regard to Dexia Crédit Local, of any member whatsoever of the Board of Directors and their private interests and/or other duties.
As at 31 March 2021, the Board of Directors is composed of fourteen members chosen for their skills and the contribution they can make to the company's administration. Mr Gilles Denoyel has been Chairman of the Board of Directors since 16 May 2018. He organises and directs the work of the Board, ensures the proper functioning of the corporate bodies of Dexia Crédit Local and participates in the company's relations with the institutional authorities.
Mr. Pierre Crevits was appointed Director and Chief Executive Officer with effect from 19 May 2020. He replaces Mr. Wouter Devriendt, who resigned in November 2019, and Mr. Bart Bronselaer, interim Chief Executive Officer from November 2019 to May 2020.

As at 31 March 2021, the composition of the Board of Directors of Dexia Crédit Local is as follows:
- Gilles Denoyel, Chairman of the Board of Directors,
- Pierre Crevits, Chief Executive Officer,
- Véronique Hugues, Executive Vice-President,
- Giovanni Albanese, Executive Vice-President,
- Aline Bec, Director,
- Bart Bronselaer, Director,
- Alexandra Serizay, Director,
- Claire Vernet-Garnier, Director,
- Alexandre De Geest, Director,
- Thierry Francq, Director,
- Michel Tison, Director,
- Koen Van Loo, Director,
- Tamar Joulia-Paris, Director,
- Véronique Tai, Director,

The representatives of the Works Council are:
Mr Philippe Fuchs
Mrs Amal Idrissi, Deputy
Mrs Aurélie Labeau in the capacity of representative of the TMB college

Diversity policy applied to 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 and 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;

• the observance by Dexia of the legal requirements regarding the representation of women on the Board of Directors.
In collaboration with the Human Resources department, the Appointments Committee assesses 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 accordance with Article L. 22-10-10 (Ord. No. 2020-1142 of 16 Sept. 2020, Article 6, in force on 1 January 2021) of the Commercial Code and in order to comply with the provisions of Article L. 225-17 of the Commercial Code, which requires that the Board be composed with a balanced representation of women and men, on 10 March 2020 the Board of Directors adopted an action plan to avoid any shortcomings in the representation of women on the Board of Directors. To date, the Board of Directors is composed of fourteen members, including six women. The Management Board is composed of six members, including one woman.

Expertise and professional skills

Dexia Crédit Local ensures that the members of the management bodies have the appropriate individual and collective skills for the proper performance of their tasks. Its ensures that directors and members of the Management Board together and individually have the professional experience and qualifications necessary to understand the bank'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. Each time a director is appointed, an internal training session is organised so that directors can acquire a good knowledge of subjects specific to the Dexia Group. When necessary, external training is also provided. These training sessions are open to all the company's 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.

Operation

In accordance with its obligations under the CRD IV Directive, and its transposition into national law, Dexia Crédit Local has introduced procedures and processes necessary for verification of the expertise and professional integrity of directors, responsible executives or staff members and heads of independent control functions. Fulfilment of these obligations involves several departments, with the Human Resources department in charge, on behalf of the Management Board and the Board of Directors, of the process of selection and recruitment, the Compliance department in charge of checking the integrity of candidates, the absence of conflicts of interest resulting from other posts or mandates and the General Secretariat in charge of relations with the regulatory and control authorities. Such verification, which occurs at the time a candidate is recruited, will be the object of an annual assessment.
The Internal Rules, which are among the documents which can be consulted at the company's registered office, in particular stress the importance of their active participation in the work of the Board. They also state that members of the Board of Directors are considered to be persons performing sensitive functions and therefore subject to the strictest obligations concerning transactions involving Dexia securities. Any transaction carried out by members of the Management Board on Dexia securities must be reported in advance to the Compliance Officer of Dexia Crédit Local and his authorisation obtained.
The Board of Directors meets at least once per quarter. In 2020, it met thirteen times, with a very satisfactory attendance rate.
The Chairman of the Board of Directors and the Chief Executive Officer provide members of the Board of Directors with all information, in particular of a strategic nature, necessary for the proper performance of their functions.
Prior to a meeting, directors receive an agenda as well as a file containing notes or documents relating to the agenda.
Directors are appointed in accordance with the law and the articles of association. At meetings of the Board, the Chief Executive Officer presents the activity and the financial statements for the past period. The Board also recurrently examines the work of the Audit Committee, the internal control and the risk monitoring.

Activities of the Board of Directors

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 Committee, and the following points:
• Analysis and monitoring of the impacts of the Covid-19 health crisis (impacts on solvency, liquidity and operational organisation);
• Treatment of large exposures;
• Prolongation of the State guarantee;
• Group liquidity, long-term financial projections VLTM, ICAAP;
• Monitoring the execution of the remedial deleveraging plan and the impact of the change of IFRS 9 business model for assets targeted for sale;
• Supervisory review and evaluation process (SREP);
• Strategy: state of play, feasibility study and outlook;
• Remediation plan update;
• Outsourcing, results of the on-site inspection (OSI);
• Derivatives action plan;
• Governance: Board succession plan, appointment, resignation and reappointment of directors, appointment of the Chief Executive Officer and self-assessment exercise of the Board of Directors and the specialised committees.

Specialised committees

In accordance with the provisions of Articles L.511-89 of the Monetary and Finance Code and L.823-19 of the Commercial Code, the Board of Directors has created the following specialised committees:
- Audit Committee
- Risk Committee
- Remuneration Committee
- Appointments Committee

In view of the Dexia Group's specific situation and in order to maintain simplified and unified Group management, specialised committees are established within the parent company, Dexia, observing legal provisions applicable in terms of functions and composition.
Reference is also made therefore to the Dexia annual report for more detailed information concerning these different specialised committees.
After each meeting of a committee, a report on the work of the specialised committee concerned is presented to the Board of Directors. Minutes of the meetings of specialised committees are drawn up and forwarded to the Chairman of the Board of Directors in order, after approval by all the members of the committee, to be appended to the file for the next meeting of the Board of Directors.

The Audit Committee

The Audit Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met six times in 2020.
The Audit Committee is composed of non-executive directors, among which a majority of members are independent, including the committee chairman, in accordance with the provisions of Belgian law.
The composition of the committee as at 31 March 2021 is as follows:
- Alexandra Serizay, independent director and chairman of the committee,
- Bart Bronselaer, director,
- Tamar Joulia-Paris, independent director,
- Thierry Francq, director,
- Michel Tison, independent director.

The Audit Committee is responsible for monitoring the accounts, and for the financial information process. It examines the Dexia Group's draft annual, half-year and quarterly statutory and consolidated financial statements, as the case may be, which must then be presented to, approved and published by the Board of Directors. It examines all matters relating to those financial statements and to the financial reports and in particular checks the choice of accounting principles, the impairments, the observance of prudential standards, the relevance and permanence of the accounting principles and methods applied and the adequacy of the consolidation scope adopted. The Audit Committee also ensures the adequacy of the external audit for the Group's requirements and monitors the efficiency of the internal audit and risk management systems.

The Risk Committee

The Risk Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met nine times in 2020.
The Risk Committee is composed exclusively of non-executive directors and at least one independent director who have sufficient skills in the fields of activity of the Dexia Group to enable them to understand the Group's strategy and the level of its risk tolerance.
The composition of the committee as at 31 March 2021 is as follows:
- Bart Bronselaer, director and chairman of the committee,
- Alexandre De Geest, director,
- Tamar Joulia-Paris, independent director.

The Risk Committee is responsible for monitoring aspects of strategy and level of tolerance with regard to current and future risks. It assists the Board of Directors when the latter supervises the implementation of such strategy by the Management Board. The Risk Committee examines the (operational) implementation of procedures regarding risk control and internal audit. It ensures integrity and adequacy in relation to risk management, including procedures and organisational structures.
The Risk Committee takes also note of any observations and recommendations from the supervisory authorities in matters falling within its competence.

Joint meeting of the Audit and Risk Committees

The joint Audit and Risk Committee established at Dexia Board of Directors level and competent for Dexia Crédit Local met six times in 2020.
The Audit Committee and the Risk Committee meet as often as necessary to deal with common matters, on convocation by the Chairman of the Board of Directors, or on convocation by the chairman of the Audit Committee or the Risk Committee as the case may be.
The chair of these meetings is taken by the chairman of the Audit Committee.

The Remuneration Committee

The Remuneration Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met six times in 2020.
The Remuneration Committee is composed of non-executive directors and at least one independent member within the meaning of Belgian law. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members.
The Remuneration Committee must have the expertise necessary pertinently and independently to judge remuneration policies and practices.
The composition of the committee as at 31 March 2021 is as follows:
- Michel Tison, independent director and chairman of the committee,
- Gilles Denoyel, independent director,
- Claire Vernet-Garnier, director,
- Alexandre De Geest, director.

The Remuneration Committee:
- prepares decisions of the Board of Directors relating to the remuneration of the Chairman of the Board of Directors, the CEO, Executive Vice-Presidents and members of the Management Board,
- issues opinions on the company's remuneration policy and any alteration made to it,
- prepares decisions concerning remuneration and, in particular, those with repercussions on risk and risk management. It also prepares and supervises decisions in relation to the remuneration of persons responsible for the independent control.

The Appointments Committee

The Appointments Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met nine times in 2020.

The Appointments Committee is composed of non-executive directors and at least one independent member within the meaning of Belgian law. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The Appointments Committee must have the necessary expertise in appointments policy, appropriately assessing the skills and fields of expertise of people it appoints within the Dexia Group.
The composition of the committee as at 31 March 2021 is as follows:
• Gilles Denoyel, independent director and chairman of the committee,
• Thierry Francq, director,
• Koen Van Loo, director,
• Michel Tison, independent director.
The Appointments Committee prepares decisions of the Board of Directors relating to:
• proposals for the appointment or renewal of directors by the Board of Directors to the shareholders' meeting, and proposals to co-opt directors. On the renewal of a director's mandate, the Appointments Committee assesses the director's participation in the operation of the Board of Directors and reports with a recommendation. For any new appointment, before considering the approval of the candidature, it ensures that the Board of Directors has, in accordance with internal procedures, received sufficient information on the candidate enabling it to assess whether that candidature meets the general profile of directors and the required skills;
• determination of independence criteria enabling a director to be considered "independent":
– The qualification of an existing or new member of the Board of Directors as an independent director.
– In general, the Committee ensures that decision-making within the Board of Directors is not carried out by one or more persons in a manner prejudicial to the company.
– Within the scope of its duties, the Committee adheres to the recommendations, circulars and other international, French and Belgian regulations on remuneration and corporate governance.

The Management Board

The Management Board is headed by the Chief Executive Officer, appointed by the Board of Directors. The Board of Directors determines the mode of operation of the Management Board in the appointment of the Chairman and at any time it deems appropriate.
Subject to the powers expressly attributed by the law to shareholders' meetings and the Board of Directors and within the limits of the corporate object, the Chief Executive Officer has the most extensive powers to act in any circumstance on behalf of the company. He represents the company in its relations with third parties. The Chief Executive Officer may be dismissed at any time by the Board of Directors, under the conditions set by the law. The age limit provided for performance of the functions of Chief Executive Officer is 70 years. If that age limit is exceeded, then he or she shall be deemed to have resigned automatically at the end of the next meeting of the Board of Directors. On a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more natural persons to assist the Chief Executive Officer, with the title of Executive Vice-Presidents. The number of Executive Vice-Presidents may not exceed five. In accordance with Article L. 225-56, II, paragraph 2 of the Commercial Code, the Executive Vice-Presidents have the same powers as the Chief Executive Officer with respect to third parties.
Mr. Pierre Crevits was appointed by the Board of Directors on 19 May 2020 as Chief Executive Officer, effective manager of the company, with the broadest powers to act in all circumstances on behalf of the company.

As of 31 March 2021, the Management Board is composed as follows:
• Pierre Crevits, Chief Executive Officer;
• Véronique Hugues, Executive Vice-President and Chief Financial Officer;
• Giovanni Albanese, Executive Vice-President and Chief Risk Officer;
• Guy Cools, Executive Vice-President and Head of Assets;
• Benoît Debroise, Executive Vice-President and Head of Funding and Markets;
• Patrick Renouvin, Executive Vice-President and Chief Operating Officer.

Remuneration Report

Remuneration granted to directors in 2020

In accordance with the Group's remuneration policy approved by the Board of Directors of Dexia Crédit Local on 30 August 2017, the Dexia ordinary shareholders' meeting sets the emoluments of directors for the exercise of their mandates. The meeting decides on a maximum envelope and grants the Board of Directors the power to determine the practical terms of that remuneration and its allocation.
Dexia's ordinary shareholders' meeting decided, in 2006, to allocate to directors, for the exercise of their mandates, an annual global maximum envelope of EUR 1,300,000, with effect as at 1 January 2005.
The shareholders' meeting also conferred on the Board of Directors the power to determine the practical terms and conditions of this remuneration, consisting of a fixed fee and attendance fees, and its allocation.
Until 31 December 2020, the remuneration of non-executive directors (excluding the Chairman of the Board of Directors) was composed of fixed attendance fees of EUR 3,000 per quarter (consolidated at the level of the Dexia Crédit Local Board) and attendance fees of EUR 2,000 for meetings of the Dexia and Dexia Crédit Local Boards, EUR 1,000 for meetings of the Audit and Risk Committees, and EUR 750 for meetings of the Appointments and Remuneration Committees (paid by Dexia). The Chairman of the Audit Committee and the Chairman of the Risk Committee are remunerated for their function (attendance fees are increased to EUR 1,500 per meeting). In the interest of moderation, the Board of Directors has decided that as of 1 January 2020, for meetings of the Board of Directors of Dexia organised at the same time as the Board of Dexia Crédit Local (or not at the same time but with a similar agenda), the attendance fees are reduced by half to EUR 1,000. The attendance fees for the joint audit and risk committees amount to EUR 750 (for all members including the committee chairman). The Board has also formally established that meetings lasting less than one hour are not remunerated. Finally, an overall annual ceiling is defined in the sense that a maximum number of meetings is remunerated. Non-executive directors do not receive any perfor-

mance-related remuneration, such as bonuses and long-term incentive schemes, nor do they receive any benefits in kind or benefits related to pension plans. On 31 March 2020, the Board of Directors decided to grant exceptional remuneration of EUR 2,000 each to Mrs Aline Bec and Mrs Véronique Tai for their participation in two Dexia meetings, which was necessary for a perfect understanding of subjects and their impact on Dexia Crédit Local. The Chief Executive Officer and the Executive Vice-Presidents, who are also directors, do not receive any remuneration for their duties as directors. Their remuneration is detailed in the section below on remuneration paid to the Management Board.

Since 2019, and taking into account the evolution of the activities and the workforce of the Dexia Group, the remuneration of the Chairman of the Board of Directors is paid half by Dexia and half by Dexia Crédit Local. In order to ensure that the total cost to the Group (including social security charges, employer's contributions and other contributions) does not increase, the Chairman has accepted that his gross remuneration be reduced from EUR 250,000 to approximately EUR 192,000, composed on the one hand of a fixed remuneration and on the other hand of ordinary attendance fees paid to all directors.

The amount of gross annual remuneration thus allocated amounted to EUR 195,044: EUR 74,500 in the form of attendance fees (of which EUR 38,000 paid by Dexia Crédit Local and EUR 36,500 paid by Dexia) and EUR 120,544 assimilated to salary (of which EUR 68,000 paid by Dexia Crédit Local and EUR 52,544 paid by Dexia).

Remuneration paid to directors for the exercise of their mandate with Dexia and in other Group entities

Number of meetings and remuneration paid to non-executive directors in 2020

	DCL Board (13 meetings)	DSA Board (13 meetings)	Risk Committee (9 meetings)	Audit Committee (6 meetings))	Joint Risk and Audit Committees (6 meetings)	Appoint-ments Committee (9 meetings)	Remuneration committee (6 meetings)	Total DSA (gross amount in EUR)	Total DCL (gross amount in EUR)	Total (DSA+ DCL) (gross amount in EUR)
Gilles Denoyel(1)	13(2)	13(2)	N/A	N/A	N/A	9(2)	5	89,044	106,000	**195,044**
Tamar Joulia-Paris	13	13	9	6	6	N/A	4	50,000	38,000	**88,000**
Bart Bronselaer(3)	4	4	3(2)	1	1	N/A	N/A	14,500	14,000	**28,500**
Bertrand Dumont(4)(5)	11	11	6	N/A	4	N/A	N/A	32,000	34,000	**66,000**
Alexandra Serizay	13	12	N/A	6(2)	6(2)	N/A	N/A	42,000	38,000	**80,000**
Michel Tison	13	13	6	5	6	1	6(2)	51,250	38,000	**89,250**
Alexandre De Geest	13	13	9	N/A	6	7	6	50,750	38,000	**88,750**
Thierry Francq(6)	12	11	N/A	5	5	6	N/A	36,500	36,000	**72,500**
Koen Van Loo	13	13	N/A	N/A	N/A	9	N/A	32,750	38,000	**70,750**
Claire Cheremetinski(5)(7)	8	8	N/A	N/A	N/A	N/A	3	18,250	25,000	**43,250**
Véronique Tai	13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	38,000	**38,000**
Aline Bec	12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36,000	**36,000**
Claire Vernet-Garnier(5)(8)	3	4	N/A	N/A	N/A	N/A	2	9,500	9,000	**18,500**

(1) The remuneration of the Chairman of the Board of Directors is composed of EUR 74,500 (of which EUR 38,000 paid by Dexia Crédit Local and EUR 36,500 paid by Dexia) in the form of attendance fees and EUR 120,544 (of which EUR 68,000 paid by Dexia Crédit Local and EUR 52,544 paid by Dexia) assimilated to salary.
(2) Chairman of the Board or of a committee as of 31 December.
(3) Executive director from 1 January to 19 May 2020 and non-executive director since 9 September 2020.
(4) Resignation on 29 October 2020.
(5) The payment of attendance fees to representatives of the French State is governed by Article 6 of Order 2014-948 of 20 August 2014.
(6) Mr. Th. Francq's remuneration is paid with the following distribution: 15% for the French Treasury and 85% paid to Mr. Th. Francq.
(7) Resignation effective 9 September 2020 (Dexia) and 29 September 2020 (Dexia Crédit Local).
(8) Appointment on 9 September 2020 (Dexia) and on 29 September 2020 (Dexia Crédit Local).

Remuneration paid to the Management Board in 2020

The members of the Management Board of Dexia Crédit Local referred to in this section are, on the one hand, the Chief Executive Officer and the Executive Vice-President of the company in 2020.
Bart Bronselaer and Pierre Crevits, Chief Executive Officers, were not paid by Dexia Crédit Local for their mandate within the company. They are in fact remunerated by Dexia in their capacity as members of the Management Board of the latter.
Mr. Guy Cools, Executive Vice-President, was not remunerated either for his mandate within Dexia Crédit Local but by Dexia Crédit Local New York Branch for his functions exercised within the US entities of the Dexia Group. However, in accordance with Article L.225-102-1 paragraph 2 of the Commercial Code, remuneration paid to members of the Management Board by another Group entity must also be mentioned in this chapter.

Composition of the remuneration

The remuneration of the members of the Management Board is 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 on behalf of Dexia.
Consequently, no variable remuneration was or will be granted for the year 2020 to the Chief Executive Officer and the Executive Vice-Presidents.
Furthermore, in line with the undertakings made by Dexia within the framework of the 2013 guarantee agreement concluded with the Belgian and French States and for so long as the guarantee obligations exist or are liable to be issued, and unless there is an agreement from 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 and members of the Board of Directors.
It is important to stress that the differences of sometimes significant sums (in particular on pensions) do not correspond to notable differences in the salary but to various levels of deductions for legal or contractual schemes depending on the country and statuses.

Remuneration for the year 2020

Basic remuneration consists solely of a fixed portion.

(in EUR)	Entity – Country	Gross basic remuneration
Bart Bronselaer[(1)]	Dexia – Belgium	232,258
Pierre Crevits[(2)]	Dexia – Belgium	367,742
Giovanni Albanese	Dexia Crédit Local – France	465,044
Benoît Debroise	Dexia Crédit Local – France	407,378
Véronique Hugues	Dexia Crédit Local – France	450,000
Patrick Renouvin	Dexia Crédit Local – France	450,000
Guy Cools[(3)]	DCL New York – United States	625,981

(1) Chairman of the Management Board until 19 May 2020.
(2) Chairman of the Management Board as from 20 May 2020.
(3) This remuneration, paid in US dollars and expressed at the average annual rate of EUR/USD, is for his functions as CEO of Dexia Crédit Local NY and Dexia Financial Products Services and takes into account his 31 years of seniority in the Dexia Group. The mandate of Executive Vice-President of Dexia Crédit Local is exercised free of charge.

Supplementary pension schemes

The CEO and the Executive Vice-Presidents who do not perform their function within the framework of a French contract (Belgium or the United States) benefit from a supplementary pension scheme put in place by Dexia.

Characteristics of applicable supplementary pension schemes

The supplementary pension schemes of the CEO and the Executive Vice-Presidents are defined contribution schemes not generating social liabilities for the company.
For the CEO and the Executive Vice-Presidents present in Belgium, they give a right, on retirement, to the capital constituted by a capitalisation of annual contributions (21%), the latter having a ceiling. For 2020 no remuneration exceeded this contribution ceiling.
For the Executive Vice-President present in the United States, they give a right, on retirement, to the capital constituted by a capitalisation of annual contributions (8%), the latter having a ceiling. For 2020 the remuneration exceeded this contribution ceiling (EUR 248,474).

Amounts paid within the framework of supplementary pension[(1)]

Annual premiums of EUR 93,547 were paid in 2020. Obligatory contributions paid to pension funds, particularly for French Executive Vice-Presidents, need not be indicated in the table below.

(1) Defined contribution schemes.

(in EUR)	Entity – Country	Supplementary pension schemes
Bart Bronselaer	Dexia – Belgium	-
Pierre Crevits	Dexia – Belgium	73,669
Giovanni Albanese	Dexia Crédit Local – France	-
Benoît Debroise	Dexia Crédit Local – France	-
Véronique Hugues	Dexia Crédit Local – France	-
Patrick Renouvin	Dexia Crédit Local – France	-
Guy Cools	DCL New York – United States	19,878

Supplementary death cover, permanent invalidity and health costs

Collective annual premiums of EUR 111,029 were paid in 2020 for supplementary death cover, permanent invalidity and health costs, the breakdown of which is stated in the table below.

Differences of level can be explained by status (freelance in Belgium / employee in France and the United States), schemes specific to each country, salaries and financial situations and in particular the number of dependent children.

(in EUR)	Entity – Country	Death cover, orphans	Invalidity	Health costs
Bart Bronselaer	Dexia – Belgium	14,169	7,161	458
Pierre Crevits	Dexia – Belgium	23,729	9,572	366
Giovanni Albanese[1]	Dexia Crédit Local – France	1,409	602	4,586
Benoît Debroise[1]	Dexia Crédit Local – France	1,409	602	4,586
Véronique Hugues[1]	Dexia Crédit Local – France	1,409	602	4,586
Patrick Renouvin[1]	Dexia Crédit Local – France	1,409	602	4,586
Guy Cools	DCL New York – United States	863	488	27,835

(1) Staff members who, as employees, must be affiliated to the collective contract concerning all staff members of Dexia Crédit Local.

Other benefits paid to members of the Management Board[1]

(in EUR)	Entity – Country	Representation costs	Telephone allowance[2]	Car allowance[2]
Bart Bronselaer	Dexia – Belgium	-	69	1,357
Pierre Crevits	Dexia – Belgium	5,714	111	4,160
Giovanni Albanese	Dexia Crédit Local – France	-	-	1,539
Benoît Debroise	Dexia Crédit Local – France	-	-	4,318
Véronique Hugues	Dexia Crédit Local – France	-	-	1,080
Patrick Renouvin	Dexia Crédit Local – France	-	-	4,417
Guy Cools	DCL New York – United States	-	-	16,346

(1) This amount corresponds to the tax advantage associated with the provision of a company car/ telephone which can also be used for private purposes, with the exception of the person present in New York who receives a lease allocation.

Option plan

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

Severance conditions

Provisions relating to severance payments under 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 that the aforementioned severance payment. Those conditions might be applicable to Mrs Véronique Hugues and Messrs Giovanni Albanese, Guy Cools, Benoît Debroise and Patrick Renouvin.

Departure during the year 2020

Mr Bart Bronselaer left his ad interim post as CEO on 19 May 2020. No severance payment was paid on that occasion.

Information on the service contracts binding the members of the administrative and management bodies of Dexia Crédit Local or one of its subsidiaries and providing for the grant of benefits at the end of such a contract

None.

Information on the service contracts binding members of the administrative and management bodies of Dexia Crédit Local or one of its subsidiaries and providing for the grant of benefits at the end of such a contract

None.

Mandates and functions performed by corporate officers during the financial year

In application of Article L. 225-102-1 paragraph 4 of the Commercial Code, below are the mandates and functions performed by each corporate officer of Dexia Crédit Local as at 31 March 2021.

Mr Gilles Denoyel
Professional address: Tour CBX – 1, Passerelle des Reflets – La Défense 2 - 92919 La Défense Cedex
4 August 1954
• Chairman of the Board of Directors of Dexia, independent director (non-executive)
• Director of Memo Bank
• Director and Chairman of the Committee monitor nuclear undertakings at EDF
• Member of the supervisory board and member of the audit and risk committees of Rothschild&Co.

Mr Pierre Crevits
Professional address: Tour CBX – 1, Passerelle des Reflets – La Défense 2 - 92919 La Défense Cedex
23 May 1967
• Chief Executive Officer and Chairman of the Management Board (executive) of Dexia
• Chairman of the Board of Directors of Namur Invest SA

Mr Giovanni Albanese
Professional address: Tour CBX – 1, Passerelle des Reflets – La Défense 2 – 92919 La Défense Cedex
22 February 1959
• Executive director and member of the Management Board of Dexia

Mrs Véronique Hugues
Professional address: Tour CBX – 1, Passerelle des Reflets – La Défense 2 – 92919 La Défense Cedex
28 May 1970
• Executive director and member of the Management Board of Dexia
• Permanent representative of Dexia, Stable Establishment in France

Mrs Aline Bec
Professional address: Tour CBX – 1, Passerelle des Reflets – La Défense 2 – 92919 La Défense Cedex
24 January 1957
• Observer within the Board of Directors of Dexia

Mr Bart Bronselaer
Professional address: Sint-Martinusberg 11 – 3360 Korbeek-Lo (Belgium)
6 October 1967
• Independent director of United Pensions OFP
• Director of MeDirect

Mr Alexandre De Geest
Professional address: Avenue des Arts 30 – 1040 Brussels (Belgium)
5 February 1971
• Non-executive director of Dexia
• General Administrator of the Belgian Federal Public Service Finance (FPS Finance)
• Chairman of the Protection Fund for Financial Instruments
• Member of the Commission for Nuclear Reserves

Mr Thierry Francq
Professional address: 86, Rue Saint-Lazare – 75009 Paris
30 April 1964
• Non-executive director of Dexia
• Director of the Cabinet of the PDG of the Covea group

Mr Michel Tison
Professional address: Universiteitstraat 4 – 9000 Ghent (Belgium)
23 May 1967
• Independent director of Dexia (non-executive)
• Professor of Finance Law and Dean of the Faculty of Law and Criminology at the University of Ghent (Belgium)

Mr Koen Van Loo
Professional address: Avenue Louise 32 Box 4 – 1050 Brussels (Belgium)
26 August 1972
- Non-executive director of Dexia
- CEO of the Federal Holding and Investment Company (FHIC)
- Director of Capricorn ICT Fund
- Director of Capricorn Sustainable Chemistry Fund
- Non-executive director of Certi-Fed
- Director of Sinnolabs Hong Kong Ltd
- Director of Thaumas NV
- Director of Euroports Group BV

Mrs Alexandra Serizay
Professional address: 255, Quai de la Bataille de Stalingrad – 92130 Issy-les-Moulineaux
31 March 1977
- Independent director of Dexia (non-executive)
- Chief of Staff of the chairman of the board of Sodexo
- Director of Cofiroute and of AFS (Vinci Autoroutes group)

The French State represented by Claire Vernet-Garnier
Professional address: 139, Rue de Bercy – 75572 Paris cedex 12
10 February 1984
- Non-executive director of Dexia
- Head of the Finance Pole at the Agence des participations de l'État (APE) (France)
- Director of Orano Cycle,
- Director of Orano Mining
- Member of the supervisory board of the Airport of Montpellier Méditerranée,
- Director of Orange.

Mrs Véronique Tai
Professional address: Rue de la Loi 24 – 1000 Brussels (Belgium)
20 June 1968
- Observer within the Board of Directors of Dexia
- Chairman of the Board of Directors of FIF SA (subsidiary of the FHIC).

Mrs Tamar Joulia-Paris
Professional address: Avenue des Statutaires 25 – 1180 Uccle (Belgium)
5 October 1952
- Independent director of Dexia (non-executive)
- Executive director of TJ Capital

Information on non-regulated agreements

Article L.225-102-1 of the Commercial Code requires that companies list in their management report all agreements reached directly or via third parties between:
- a director, the Chief Executive Officer, one of the Executive Vice-Presidents of the company or one of its shareholders with voting rights higher than 10%, on the one hand; and
- companies in which the company directly or indirectly has a 50% holding or higher, on the other hand.

Agreements relating to current transactions signed under normal conditions do not have to be listed.

List of agreements included in the Financial Products ("FP") portfolio guarantee

Dexia sold the Financial Security Assurance (FSA) insurance unit to Assured Guaranty Ltd (Assured). The transaction was finalised on 1 July 2009. FSA's Financial Products (FP) activity, managed by FSA Asset Management (FSAM), was excluded from the scope of the sale and is still part of Dexia Group. To the extent that FSA is the guarantor of the FP business' liabilities, the sale necessarily required that Dexia and Dexia Crédit Local guarantee FP's assets and liabilities.
In its turn, Dexia received a counter-guarantee from the Belgian and French governments for certain FP business assets (Guaranteed FP Assets). The guarantee was approved by the European Commission on 13 March 2009[1]. It should be noted that in 2011 FSAM sold, via Dexia Crédit Local New York (DCLNY), all remaining Guaranteed FP Assets to third parties such that, on 31 December 2011, no Guaranteed FP Assets were covered by government guarantees. However, the guarantee continues to exist from a technical standpoint, although the risk of a call for the guarantee is theoretical.
The agreements referred to below are for the management of FP assets and liabilities held by FSAM and managed in run-off by the Group.
Pledge and Administration agreement, signed 30 June 2009, by Dexia, Dexia Crédit Local (DCL), Dexia Bank Belgium, Dexia FP Holdings Inc., FSA Asset Management LLC, FSA Portfolio Asset Limited, FSA Capital Markets Services LLC, FSA Capital Management Services LLC, FSA Capital Markets Services (Caymans) Ltd, Financial Security Assurance Inc. and The Bank of New York Mellon Trust Company, National Association.
1.1 *Dexia Guaranteed Put* agreement signed 30 June 2009 by DCLNY, Dexia and FSAM;
1.2 *Dexia FP Guarantee Reimbursement* agreement signed 30 June 2009 by Dexia, DCL, FSAM and other GIC Business Entities;
1.3 *Dexia Non-Guaranteed Put agreement* signed 30 June 2009 by DCLNY, Dexia and FSAM;
1.4 *Administrative Services* agreement signed 30 June 2009 by Dexia, DCL, AGM, DFPS, FSAM and other GIC Business Entities;
1.5 *Third Amended and Restated Intercompany* agreement signed on 20 February 2013 (effective 27 December 2012) by DSA, DCLNY and Dexia Holdings Inc.

(1) Detailed information on the guarantees has been published in Dexia annual reports since 2009 (the annual reports can be viewed on Dexia's website: www.dexia.com) and the main provisions of the guarantees are described in the 2011 annual report.

Current delegations granted by the shareholders' meeting

None

Elements liable to have an impact in the event of a public takeover or exchange offer (Article L225-37-5)

None

Structure of the share capital

As at 31 December 2020, the share capital of Dexia Crédit Local amounted to EUR 279,213,332. It is divided into 279,213,332 shares each with a nominal value of EUR 1.00. Each share has one voting right attached and none is pledged. To date there is no other security giving access to the capital of Dexia Crédit Local.
The share capital of Dexia Crédit Local is held, directly and almost completely by Dexia, the Chief Executive Officer holding one share in the company.
Indirectly, via Dexia, the capital of Dexia Crédit Local is held 52.78% by the Federal Holding and Investment Company (FHIC) acting on delegation on behalf of the Belgian State and 46.80% by the French State.
Article 10 of the articles of association provides that:
I. The disposal or mutation of shares in one of the two (2) cases referred to below is free and will be regularised immediately without need for the approval of the Board of Directors provided in paragraph II below:
(1) Disposal or mutation of shares in favour of companies in the Dexia Group;
(2) Disposal or mutation to any natural person or company newly appointed to the post of member of the Board of Directors of the company, of a share in the company, as well as disposal or mutation of a share to its original transferor in the case of a retrocession by a member of the Board of Directors of the company particularly at the expiry of their mandate.
II. Subject to legal provisions in force, the disposal or mutation of shares to a third party on whatsoever ground and in whatsoever form must, in order to become definitive, be subject to the company's approval given by the Board of Directors which will rule within the month of its submission.

Proposals for resolutions to be submitted to the shareholders' meeting

Proposal to approve the annual financial statements

After having read the Board of Directors' report, the report by the Chairman of the Board of Directors and the Auditors' report, the ordinary shareholders' meeting approves the annual financial statements as at 31 December 2020 as they have been presented to it, with all the operations reflected by these financial statements or mentioned in the aforesaid reports, and showing a negative result of EUR -446,757,858.61.
The ordinary shareholders' meeting approves the overall amount of the non-deductible expenses and charges for the profits subject to corporation tax (Article 39 of the General Tax Code), amounting to EUR 33,180.64 which has not brought about additional corporation tax bearing in mind the tax loss for the 2020 financial year.

Proposal to approve the consolidated financial statements

After having read the Board of Directors' report, the report by the Chairman of the Board of Directors and the Auditors' report, the ordinary shareholders' meeting approves the consolidated financial statements as at 31 December 2020 as they have been presented to it, with all the operations reflected by these financial statements or mentioned in the aforesaid reports, and showing a loss group share of EUR -556,937,365.

Proposal to approve regulated agreements

After having read the Auditors' special report on regulated agreements and commitments referred to in Article L. 225-38 of the Commercial Code, the ordinary shareholders' meeting approves the regulated agreements referred to therein under the conditions laid down in Article L. 225-40 of the same Code.

Proposal to grant final discharge to corporate officers

Further to approval of the previous resolutions, the ordinary shareholders' meeting grants full and unreserved discharge to the company's corporate officers in respect of fulfilment of their mandate with regard to the financial year closed on 31 December 2020.

Proposal to grant final discharge to the CEO and the Executive Vice-Presidents

Further to approval of the previous resolutions, the ordinary shareholders' meeting grants full and unreserved discharge to the Chief Executive Officer and to the Executive Vice-Presidents in respect of fulfilment of their mandate with regard to the financial year closed on 31 December 2020.

Proposal to appropriate the profit/loss

The ordinary shareholders' meeting decides to charge the negative result for the financial year, amounting to EUR -446,757,858.61 in its entirety to the retained earnings/losses account. Once this loss amount has been charged, the retained earnings/losses account will show a positive figure of EUR 562,726,084.25.
In accordance with Article 243b of the General Tax Code, the shareholders' meeting recalls that no dividend has been paid during the previous three financial years.

Proposal that the auditors certify the financial statements

In accordance with the provisions of Article L. 822-14 of the Commercial Code, the ordinary shareholders' meeting formally records the fact that the annual and consolidated financial statements for the financial year closed on 31 December 2020 have been audited by the Auditors:
- Mrs Virginie Chauvin and Mrs Laurence Karagulian, partners, representing the company Mazars, on the one hand; and
- Mr Jean-Vincent Coustel, partner, representing the company Deloitte & Associés, on the other hand.

Proposal to set the overall remuneration bill

In application of Article L. 511-73 of the Monetary and Financial Code, the ordinary shareholders' meeting issues a favourable opinion as to the overall amount of remuneration awarded to the persons mentioned in Article L. 511-71 of said Code during the financial year closed on 31 December 2020, which amounts to EUR 9,815,302 (fixed salary and any bonuses).
This remuneration bill thus covers remuneration paid in 2020 to the company's managers and other members of staff of the company and its (international) subsidiaries who are considered, in accordance with the remuneration policy applicable to the entire Dexia Group, as having a significant impact on the Group's risk profile on account of their position and/or the amount of their remuneration. This amount includes the Chief Executive Officer's remuneration awarded by Dexia exclusively in consideration of its mandate within the parent company.

Proposal to appoint Mrs Marie-Anne Barbat-Layani as a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to appoint Marie-Anne Barbat-Layani, of French nationality, domiciled at 20, Rue de l'Estrapade – 75005 Paris (France), with effect as from the close of the shareholders' meeting, for a term of four years, expiring at the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year closed on 31 December 2024.

Proposal to appoint Mr Bart Bronselaer as a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to appoint Mr Bart Bronselaer, of Belgian nationality, domiciled at Sint-Martinusberg 11 – 3360 Korbeek-Lo (Belgium) with effect as from the close of the shareholders' meeting, for a term of four years, expiring at the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year closed on 31 December 2024.

Proposal to renew the mandate of Mrs Véronique Tai as a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to renew the director's mandate of Mrs Véronique Tai, of Belgian nationality, domiciled at Avenue Edmond Parmentier 163 – 1150 Woluwe-Saint-Pierre (Belgium), coming to expiry, and until the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year closed on 31 December 2024.

Proposal to renew the mandate of Mr Alexandre De Geest as a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to renew the director's mandate of Mr Alexandre De Geest of Belgian nationality, domiciled at Brusselsesteenweg 4d – 3080 Tervuren (Belgium), coming to expiry, and until the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year closed on 31 December 2024.

Proposal to renew the mandate of Mr Thierry Francq as a director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to renew the director's mandate of Mr Thierry Francq, of French nationality, domiciled at 31, Rue Michele – 92600 Asnières-sur-Seine (France), coming to expiry, and until the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year closed on 31 December 2024.

Proposal to renew the mandate of the French State represented by Mrs Claire Vernet-Garnier

The ordinary shareholders' meeting decides, on the basis of Article 4 of Ordinance 2014-948, to renew the mandate of director of the French State as a legal entity director until the ordinary shareholders' meeting to be held in 2025 to approve the financial statements for the year ending 31 December 2024.

Proposal on powers to be granted

The ordinary shareholders' meeting grants all powers to the bearer of an original, a copy or an extract of the present minutes to carry out all formalities of filing and publication provided for by the law.

Statutory Auditors' special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2020

To the shareholders of Dexia Crédit Local,
In our capacity as Statutory Auditors of your company, we hereby report to you on regulated agreements.
It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.
Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the shareholders' meeting, if any.
We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted to the approval of the Shareholders' Meeting

Agreements authorized and concluded during the past financial year

Pursuant to Article L.225-38 of the French Commercial Code, we were not informed of any new agreements submitted to the approval of the Shareholders' Meeting.

Agreements previously approved by the Shareholders' Meeting

Agreements approved in previous years

a) whose execution continued in the past financial year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements, previously approved by shareholders' meetings of prior years, continued during the year:

Agreement allowing Dexia Crédit Local (hereinafter "DCL") to use subsidiaries' receivables as collateral

Persons concerned:
– Mr. Alain Clot, former joint director of DCL and Dexia Crediop, his term of office at DCL having ended on December 31, 2013.

In order to reduce DCL's financing needs, it was decided to mobilize the assets of DCL and its subsidiaries that are not currently utilized as collateral for financing or issues guaranteed by the States.
DCL mobilized the subsidiaries' assets under market conditions throughout 2019.
As of December 31, 2020, the assets concerned totaled €15.7 billion and comprised
– €15.2 billion of DCL receivables;
– €530 million of DCL leasing subsidiary receivables.
These transactions were authorized by your Board of Directors on February 23, 2012 and have not resulted in the signature of any formal agreements.

State guarantee agreement for the refinancing of Dexia SA/NV (hereinafter "DSA") and DCL

Persons concerned:
– Mr. Robert de Metz, then joint director of DCL and DSA; his term of office ended on May 15, 2018;
– Mr. Karel De Boeck, then joint director of DCL and DSA; his term of office ended on May 17, 2016;
– Mr. Claude Piret, joint CEO of DCL and DSA; his term of office ended on October 14, 2016;
– Mr. Koenraad Van Loo; director of both DCL and DSA,
– Mr. Philippe Rucheton, then joint director of DCL and DSA; his term of office at DCL ended on December 31, 2013

As of December 28, 2012, the European Commission advised its agreement to the revised orderly resolution plan for the Dexia Group submitted by the Belgian, French and Luxembourg States on December 14, 2012. This approval resulted in the implementation of the arrangements for the tripartite guarantee granted by the Belgian, French and Luxembourg States, capped at €85 billion, based on the following allocation key: 51.41% for Belgium, 45.59% for France and 3% for Luxembourg.
The guarantee fee on the outstanding debt issued will be calculated based on an annual rate of 5 basis points compared with 90 basis points previously under the temporary guarantee.
In 2020, the cost of the guarantee for DCL amounted to €28.9 million.
Your Board of Directors authorized this agreement on December 19, 2012.

Guarantee agreement between DCL and Dexia Crediop

Persons concerned:

– Mr. Alain Clot, then joint director of both DCL and Dexia Crediop; his term of office at DCL ended on December 31, 2013.

As part of the support for its subsidiary Dexia Crediop, DCL granted a first demand guarantee for €75 million, expiring in 2023 at the earliest.

In accordance with the guarantee eligibility conditions set by the Bank of Italy, DCL's remuneration was set at 0.8%.

This agreement was approved by the Shareholders' Meeting of May 7, 2013, based on the Statutory Auditors' special report of April 2, 2013.

As of December 31, 2012, following the decrease in interest rates, exposure to the Terna counterparty mechanically increased, requiring an increase in the guarantee granted by DCL in order to comply with the large exposures limit set by the Italian regulator. An amendment to the initial agreement increasing the amount of the commitment to €100 million was therefore signed, without the prior authorization of the Board of Directors, in order to react as quickly as possible to ensure compliance with regulatory ratios at the year-end. This amendment was approved by your Shareholders' Meeting of May 13, 2014.

In 2020, DCL recorded €0.6 million in commission income for the year under this agreement.

This agreement expired on September 23, 2020 following the transfer of the Terna exposures.

b) whose execution did not continue in the past financial year

In addition, we have been informed that the following agreements, previously approved by shareholders' meetings of prior years, did not continue during the year.

Litigation management agreement for disputed loans

Persons concerned:

– Mr. Philippe Rucheton, then joint director of DCL and DSA; his term of office at DCL ended on December 31, 2013;

– Mr. Alain Clot, then director and deputy managing director of DCL and member of the Supervisory Board of DMA; his terms of office at DCL ended on December 31, 2013

On January 31, 2013, DMA, DCL and SFIL signed an agreement for the management of litigation relating to disputed loans. The purpose of this agreement is to establish the procedures for managing all judicial (other than criminal) and administrative proceedings relating to loans recorded on DMA's balance sheet on the date of sale of SFIL shares until maturity of all such loans.

This agreement was authorized by your Board of Directors on January 15, 2013 and had no impact in 2020.

Intra-group netting agreement between DCL, DSA, Banque Internationale à Luxembourg S.A. (hereinafter "BIL"), Belfius Banque SA/NV (hereinafter "Belfius"), and Dexia Crediop

Persons concerned:

– Mr. Jean-Luc Dehaene, then joint director of DCL, DSA, BIL and DBB; his term of office at DCL ended on June 29, 2012;

– Mr. Pierre Mariani, then joint director of DCL, DSA, BIL and DBB; his term of office ended at DCL on August 2, 2012;

– Mr. Pascal Poupelle, then joint director of DCL and Dexia Crediop; his term of office ended at DCL on December 31, 2010;

– Ms Francine Swiggers, then joint director of DCL, DSA and DBB; whose term of office at DCL ended on November 10, 2012.

The Dexia Group Master Netting Agreement ("DGMNA") was concluded on November 2, 2009 between DCL, DSA, BIL, Belfius and Dexia Crediop.

The DGMNA allows the parties to offset amounts due in the context of transactions governed by different agreements, such as in particular the ISDA Master Agreements or other master agreements on financial instruments ("Main Agreements"). The main purpose of the DGMNA is to allow netting in the event of default by one of the parties and therefore allows netting only when the transactions governed by the Master Agreements are accelerated, terminated, liquidated or cancelled (hereafter "Close Out").

When a party is in default according to DGMNA, each of the other non-defaulting parties may elect to Close Out all transactions governed by the Master Agreements to which that non-defaulting party is a party.

BIL and Belfius are no longer part of the DGMNA since January 29, 2014 and November 2, 2015, respectively.

This agreement was approved by the Shareholders' Meeting of May 19, 2015 based on the Statutory Auditors' special report of March 31, 2015.

In the lack of default by the companies concerned, this agreement had no impact on the 2020 financial year.

Agreements approved in the past financial year

We have also been informed that the following agreement, previously approved by the Shareholders' Meeting of May 19, 2020 as presented in the Statutory Auditors' special report of April 10, 2020, had effect during the year.

Agreement for the granting of exceptional compensation to two directors of DCL for the financial year 2019.

Persons concerned:

– Ms. Aline Bec, director of DCL and observer on the Board of Directors of DSA;

– Ms. Véronique Tai, director of DCL and observer on the Board of Directors of DSA

The DCL Board of Directors of March 31, 2020 authorized a posteriori, with the terms of this mission not being definitively finalized until after participation in the Boards of Directors' meetings, the allocation of an exceptional compensation of €2,000 to two directors, Ms. Aline Bec and Ms. Véronique Tai, regarding the preparatory work and participation in two meetings of the Board of Directors of DSA on March 26, 2019 and July 19, 2019. This exceptional compensation is included in the scope of Article L.225-46 of the French Commercial Code. The total amount of exceptional compensation paid to them in respect of the 2019 financial year was €2,000 each, or €4,000.

The Board of Directors considered that it was in DCL's interest to approve the compensation agreement regarding the preparatory work and participation of the two directors in two DSA Board of Directors' meetings, considering the nature and the impacts on DCL.

For the above technical reasons, this agreement could not be approved in advance

Paris la Défense, April 14, 2021

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS
Laurence KARAGULIAN	Virginie CHAUVIN	Jean-Vincent COUSTEL

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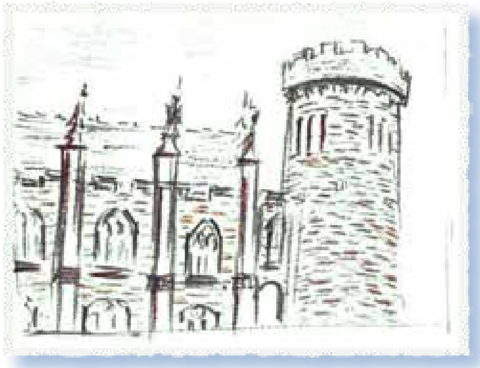

Consolidated Financial Statements as at 31 December 2020

Consolidated balance sheet

ASSETS (in EUR million)	**Note**	**31/12/2019**	**31/12/2020**
Cash and central banks	2.2	9,211	9,866
Financial assets at Fair value through profit or loss	2.3 & 4.1	14,247	12,950
Hedging derivatives	4.1	1,378	1,263
Financial assets at Fair value through other comprehensive income	2.4	2,837	3,369
Financial assets at amortised cost - Debt securities	2.5	36,012	37,075
Financial assets at amortised cost - Interbank loans and advances	2.6	23,066	21,498
Financial assets at amortised cost - Customer loans and advances	2.7	31,771	26,895
Fair value revaluation of portfolio hedges		576	426
Current tax assets		14	31
Deferred tax assets	4.2	20	0
Accruals and other assets	2.8	155	98
Tangible fixed assets	2.9	48	31
Intangible assets	2.10	29	21
TOTAL ASSETS		**119,364**	**113,523**

The notes on pages 67 to 139 are integral part of these consolidated financial statements.

LIABILITIES (in EUR million)	**Note**	**31/12/2019**	**31/12/2020**
Financial liabilities at Fair value through profit or loss	3.1 & 4.1	14,779	12,525
Hedging derivatives	4.1	19,184	20,548
Interbank borrowings and deposits	3.2	12,003	10,050
Customer borrowings and deposits	3.3	3,851	6,824
Debt securities	3.4	62,728	57,360
Fair value revaluation of portfolio hedges		7	5
Current tax liabilities		2	1
Deferred tax liabilities	4.2	32	30
Accruals and other liabilities	3.5	325	360
Provisions	3.6	118	109
Subordinated debt	3.7	20	19
TOTAL LIABILITIES		**113,049**	**107,831**
Equity	3.8	**6,315**	**5,692**
Equity, Group share		6,311	5,692
Capital stock and related reserves		2,465	2,465
Consolidated reserves		5,020	4,244
Gains and losses directly recognised in equity		(390)	(460)
Net result of the period		(784)	(557)
Minority interests		4	0
TOTAL LIABILITIES AND EQUITY		**119,364**	**113,523**

The notes on pages 67 to 139 are integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)	Note	31/12/2019 [1]	31/12/2020
Interest income	5.1	4,450	2,821
Interest expense	5.1	(4,389)	(2,781)
Commission income	5.2	10	6
Commission expense	5.2	(17)	(16)
Net gains (losses) on financial instruments at Fair value through profit or loss	5.3	(58)	(31)
Net gains (losses) on financial instruments measured at Fair value through other comprehensive income	5.4	(119)	(65)
Net gains (losses) arising on derecognition of financial assets measured at amortised cost	5.5	(208)	(3)
Net gains (losses) on reclassification of financial assets measured at amortised cost into Fair value through profit or loss	2.13	(314)	(104)
Other income	5.6	57	6
Other expenses	5,7	(44)	(7)
NET BANKING INCOME		**(631)**	**(174)**
Operating expenses	5.8	(330)	(289)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.9	(28)	(30)
GROSS OPERATING INCOME		**(989)**	**(493)**
Cost of credit risk	5.10	265	(169)
OPERATING INCOME		**(724)**	**(662)**
Net gains (losses) on other assets	5.11	0	104
NET RESULT BEFORE TAX		**(724)**	**(558)**
Income tax	5.12	17	0
Result from discontinued operations, net of tax	4.6	(117)	0
NET INCOME		**(824)**	**(558)**
Minority interests		(40)	(1)
NET INCOME, GROUP SHARE		**(784)**	**(557)**

(1) Figures as of 31/12/2019 have been revised. 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) are now recorded on the line Net gains or losses on financial instruments at Fair value through profit or loss and no longer in Interest and similar income and Interest and similar expenses. See also note 1.1.2.6 Change in presentation of Dexia Crédit Local's consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR million)	31/12/2019			31/12/2020		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET INCOME			**(824)**			**(558)**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	13		13	(111)		(111)
Changes in Fair value of debt instruments at Fair value through other comprehensive income	36		36	(7)		(7)
Revaluation of hedging derivatives	143	1	144	46	1	47
Other comprehensive income from disposal groups held for sale (1)	238		238			
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)	3		3
Own credit risk revaluation directly recognised in equity for the financial liabilities designated at Fair value through profit or loss (FVTPL)	(7)	(6)	(13)	2		2
Transfer within consolidated reserves of own credit risk amounts related to financial liabilities designated at Fair value through profit or loss, upon their derecognition	0		0	(5)	1	(4)
Reevaluation directly recognised in equity of equity instruments at Fair value through other comprehensive income	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	**420**	**(5)**	**415**	**(72)**	**2**	**(70)**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(409)**			**(628)**
of which, Group share			(368)			(627)
of which, Minority interests			(41)			(1)

(1) As at 31 December 2019, the exit from the scope of consolidation of Dexia Kommunalbank Deutschland generates a movement of EUR 238 million.

The notes on pages 67 to 139 are integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves: Capital	Capital stock and related reserves: Related reserves	Capital stock and related reserves: Total	Consolidated reserves	Gains and losses: Change in Fair value of debt instruments measured at Fair value through other comprehensive income, net of taxes	Gains and losses: Change in Fair value of equity instruments measured at Fair value through other comprehensive income, net of taxes	Gains and losses: Change in Fair value of cash flow hedges, net of taxes
AS AT 31 DECEMBER 2018	**279**	**2,186**	**2,465**	**5,041**	**(170)**	**0**	**(577)**
Movements during the period							
Appropriation of net income 2018				(256)			
Subtotal of shareholders related movements				**(256)**			
Translation adjustments							
Changes in Fair value of financial assets measured at Fair value through other comprehensive income, through equity					25	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					109		
Reclassification from financial assets at amortized cost to financial assets at Fair value through other comprehensive income (change in business model)					(98)		
Reclassification from financial assets at amortized cost to financial assets at Fair value through profit or loss (change in business model) (1)							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							
Transfers							
Subtotal of changes in gains and losses directly recognised in equity				**1**	**36**	**0**	142
Net income for the period							
Impact disposal Dexia Kommunalbank Deutschland							
Impact of the increase of the percentage interest in Dexia Crédiop				234		1	4
AS AT 31 DECEMBER 2019	**279**	**2,186**	**2,465**	**5,020**	**(134)**	**1**	**(432)**
Movements during the period							
Appropriation of net income 2019				(784)			
Subtotal of shareholders related movements				**(784)**			
Translation adjustments							
Changes in Fair value of financial assets measured at Fair value through other comprehensive income, through equity					86		
Equity instruments at Fair value through other comprehensive income : transfer of the cumulative gain or loss within equity				5			
Reclassification from financial assets at amortized cost to financial assets at Fair value through other comprehensive income (change in business model)					(1)		
Reclassification from financial assets at amortized cost to financial assets at Fair value through profit or loss (change in business model) (1)					(92)		
Gains and losses of the period of cash flow hedge derivaitves, through equity							40
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.							7
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				**5**	**(7)**	**0**	**47**
Net income for the period							
Impact of the increase of the percentage interest in Dexia Crédiop				3			
AS AT 31 DECEMBER 2020	**279**	**2,186**	**2,465**	**4,244**	**(141)**	**1**	**(385)**

(1) 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 67 to 139 are integral part of these consolidated financial statements.

directly 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 recognised in equity	Total	
(238)	**(3)**	**47**	**135**	**(806)**	**(256)**	**6,444**	**279**	**1**	**280**	**6,724**
					256	0			0	**0**
					256	**0**			**0**	**0**
			13	13		13			0	13
				26		26			0	26
				(1)		0			0	0
				109		109			0	109
				(98)		(98)			0	(98)
				124		124			0	124
				(6)		(6)			0	(6)
				24		24			0	24
		(12)		(12)		(12)			0	(12)
	(2)			(2)		(2)			0	(2)
				0						
0	**(2)**	**(12)**	**13**	**177**		**178**		**0**	**0**	**178**
					(784)	(784)	(40)		(40)	(824)
238				238		238			0	238
	(3)			2		236	(234)	(2)	(236)	0
0	**(8)**	**35**	**148**	**(390)**	**(784)**	**6,311**	**4**	**0**	**4**	**6,315**
										0
					784	0			0	
					784	**0**			**0**	**0**
			(110)	(110)		(110)			0	(110)
				86		86			0	86
		(5)		(5)		0			0	0
				(1)		(1)			0	(1)
				(92)		(92)			0	(92)
				40		40		0	0	40
				7		7			0	7
		2		2		2			0	2
	3			3		3		0	0	3
0	**3**	**-2**	**(110)**	**(70)**		**(65)**		**0**	**0**	**(65)**
					(557)	(557)	(1)		(1)	(558)
				0		3	(3)		(3)	0
0	**(5)**	**33**	**38**	**(460)**	**(557)**	**5,692**	**0**	**0**	**0**	**5,692**

Consolidated cash flow statement

(EUR million)	31/12/2019	31/12/2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(824)	(558)
Adjustment for:		
- Depreciation , amortization and other impairment	28	30
- Impairment losses (reversal impairment losses) on bonds, loans and other assets	(328)	157
- Net (gains) or losses on investments	95	(104)
- Net increases (net decreases) in provisions	(113)	(6)
- Unrealised (gains) or losses on financial instruments	221	(55)
- Deferred taxes	2	19
Changes in operating assets and liabilities	(17)	1,060
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(936)**	**543**
Cash flow from investing activities		
Purchase of fixed assets	(12)	(3)
Sale of fixed assets	13	0
Sales of unconsolidated equity shares	6	13
Sales of subsidiaries and of business units [1]	328	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**335**	**10**
Cash flow from financing activities		
Reimbursement of subordinated debts [2]	(106)	
Cash outflow related to lease liabilities	(10)	(20)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(116)**	**(20)**
NET CASH PROVIDED	**(717)**	**533**
Cash and cash equivalents at the beginning of the period	**10,614**	**9,923**
Cash flow from operating activities	(936)	543
Cash flow from investing activities	335	10
Cash flow from financing activities	(116)	(20)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	26	63
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,923**	**10,519**
Additional information		
Income tax paid	(17)	2
Dividends received	9	1
Interest received	7,662	5,249
Interest paid	(7,707)	(5,415)

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

The notes on pages 67 to 139 are an 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 events of the year, operational risk management during the resolution period and post-balance sheet events

1.1.	Accounting policies and valuation methods	67	1.5.	Operational risk management during the resolution period	89
1.2.	Ownership interests in subsidiaries and other entities	86	1.6.	Post-balance-sheet events	89
1.3.	Significant items included in the statement of income	87			
1.4.	Other significant events of the year	88			

1.1. Accounting policies and valuation methods

GENERAL INFORMATION

Dexia Crédit Local is a French limited company (société anonyme) with a Board of Directors. Its registered office is located at Tour CBX La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense. These consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2021.

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 Crédit Local'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 Crédit Local'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 2020, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

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

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

1.1.1.2. Going Concern

The consolidated financial statements of Dexia Crédit Local 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 Crédit Local 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. A law validating this extension was passed in France on 29 December 2020. A draft bill, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.
- Although managing these risks very proactively, the Dexia Crédit Local 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[1], Dexia Crédit Local is exposed to the evolution of the Fair value of these assets until their effective disposal.

(1) Impact on debt reduction in 2022 of the plan validated by the Board of Directors on 19 July 2019

• 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 Crédit Local 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 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 Crédit Local 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 Crédit Local was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017 and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash.

Furthermore, in 2021 Dexia Crédit Local 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 Crédit Local 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 Crédit Local'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 Crédit Local 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 Crédit Local 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 Crédit Local's 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 through equity was reduced over the year from EUR -6.4 million as at 1 January 2020 to EUR -4.3 million per basis point as at 31 December 2020 for all assets valued at Fair value.

As a consequence, after taking all these elements and uncertainties, developed in part in Appendix 1.5.2. to the consolidated financial statements in this annual report, into account, Dexia Crédit Local 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.

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

1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 2020

• **Amendments to IFRS 3** "Business Combinations" which clarify the application of IFRS 3 in order to facilitate the distinction between the acquisition of a business and the acquisition of a group of assets whose accounting treatment is different. These amendments have no impact on Dexia Crédit Local's financial statements.

• **Amendments to IAS 1 and IAS 8** "Definition of Material" which aim to clarify the definition of "material" in order to facilitate the exercise of judgment when preparing the financial statements. These amendments have no impact on Dexia Crédit Local's financial statements.

• **Amendments to References to the Conceptual Framework in IFRS Standards**. These amendments have no impact on Dexia Crédit Local's financial statements.

• **IFRS IC decision of 26 November 2019 related to IFRS 16**, which concerns the determination of the enforceable period to be used for the accounting of leases (tacitly renewable contracts and contracts without a specified term, which can be terminated at any time). In accordance with this decision, the analysis of reasonable certainty based on economic incentives must be applied when determining the lease term. In addition, the assumptions used for the determination of the lease term must be consistent with those used for the depreciation period for fixtures and fittings made under the lease. Following a study carried out by Dexia Crédit Local in 2020, this decision does not have a material impact on its financial statements. Concerning its current 3-6-9 leases and taking into account the ANC's (French Authority for Accounting Standards) conclusions of 3 July 2020 relating to commercial leases in France, Dexia Crédit Local has retained a maximum term of 9 years.

• **Amendment to IFRS 16** "Covid-19-Related Rent Concessions" aims to make it easier for lessees to account for Covid-19-related rent concessions such as rent holidays and temporary rent reductions. This amendment is applicable as from 1 June 2020 and has no impact on Dexia Crédit Local's financial statements as Dexia Crédit Local has not benefited from any rent relief in the context of the Covid-19 crisis as of 31 December 2020.

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 2020

• **Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16** "Interest Rate Benchmark Reform – Phase 2". These amendments published by the IASB in August 2020 in the context of the interest rate benchmark reform supplement those published in 2019 on the Phase 1. They address accounting issues arising from the replacement of the IBOR benchmarks and the entry into force of the alternative benchmarks, such as :

– Derecognition and modification of financial assets and liabilities indexed to the benchmarks in the scope of the reform: the amendment allows not to derecognize or adjust the carrying amount of financial instruments to take into account the changes required by the reform, but rather to update the effective interest rate to reflect the change in the alternative reference rate ;

– Hedge accounting: the amendment allows hedge accounting not to be discontinued solely because of the changes required by the reform, if the hedge meets other hedge accounting criteria and if the documentation is amended to reflect changes in the hedged instruments, the hedging instruments, the hedged risk, and/or the method of measuring effectiveness on transition to the new reference rates.

So, these new provisions should allow to limit the impact on Dexia Crédit Local's financial situation if and only if the modification of the current rates is required by the rate reform and is carried out on an economically equivalent basis. Moreover, the amendments require additional disclosures on all financial assets and liabilities concerned by the rate reform, on the new risks arising from this reform and on the management of the transition to alternative reference rates.

These amendments, adopted by the European Commission on 13 January 2021, are applicable as from 1 January 2021 with early application permitted. Dexia Crédit Local has chosen not to early apply the provisions of these amendments. The application of the amendments as from 1 January 2021 will have no impact on the amounts presented in Dexia Crédit Local's financial statements as of 31 December 2020. In 2020, the modification of the Dexia Crédit Local's financial contracts concerned by the reform had no material impacts 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

• **Amendment to IAS 1** "Classification of Liabilities as Current or Non-current (issued by IASB in January 2020 and amended in July 2020). This amendment will be applicable as from 1 January 2023 and its impact on Dexia Crédit Local's financial statements is being analysed.

• **"Annual Improvements – 2018-2020 cycle"** (issued by IASB in May 2020) which are a series of amendments to existing IFRS and will be applicable as from 1 January 2022. Dexia Crédit Local does not expect these amendments to have a material impact on its financial statements as they are only minor adjustments to certain IFRS standards.

• **Amendment to IAS 37** "Onerous Contracts – Cost of Fulfilling a Contract", **amendment to IAS 16** "Proceeds Before Intended Use", **amendment to IFRS 3** "Reference to the Conceptual Framework" (issued by IASB in May 2020). These limited scope amendments will be applicable as from 1 January 2022 and their impact on Dexia Crédit Local's financial statements is being analysed.

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, will be effective as from 1 January 2023. In June 2020, the IASB issued amendments to IFRS 17 postponing its first time application date to 1 January 2023. In parallel, an amendment to IFRS 4 was also published in order to extend the temporary exemption from the application of IFRS 9 until the date of entry into force of IFRS 17. This new standard will have no impact on Dexia Crédit Local's financial statements as Dexia Crédit Local 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) enters 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 Crédit Local applies a unique definition of default for its whole portfolio and applies this new regulation for the identification of defaulted positions from mid-2020. To be noted that Dexia Crédit Local follows-up on a quarterly basis as from 2019 the default qualification under the new definition of default along with the former definition.

The performed impact assessment demonstrates a limited impact on credit risk parameters and models.

1.1.2.6. Changes in presentation of consolidated financial statements of Dexia Crédit Local

The consolidated financial statements of Dexia Crédit Local have been prepared in accordance with the ANC (French Authority for Accounting Standards) presentation. As at 31 December 2020, 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". Since the last annual report publication and in order to give readers of the financial statements a more accurate picture of the impacts related to Dexia Crédit Local's economic operations, Dexia Crédit Local has changed the presentation in the income statement of interest income and expenses on trading derivatives measured at Fair value through profit or loss. Derivatives held for risk management purposes ("economic"hedges) are not in the scope of this change (see 1.1.6.2.3). According to this new presentation choice, Dexia Crédit Local has reclassified the interest income and expenses relating to the instruments concerned from the lines «Interest income» and «Interest expense» to the line «Net gains (losses) on financial instruments at Fair value through profit or loss». The impact of this reclassification is presented in Note 5.1. This change has no impact on the classification of interests in the cash flow statement.

1.1.3. CONSOLIDATION

1.1.3.1. Subsidiaries and structured entities

Subsidiaries are those entities over which Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 the 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 Crédit Local and are no longer consolidated as of the date on which Dexia Crédit Local's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia Crédit Local'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 Crédit Local.

Changes in Dexia Crédit Local'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 Crédit Local 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 Crédit Local has significant influence, but does not exercise control. This is usually the case when Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local's presentation currency are translated into Dexia Crédit Local'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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local recognises in the income statement, any unrealised gains or losses arising from revaluing the contract to Fair value at the reporting date. Dexia Crédit Local 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 Crédit Local.

Dexia Crédit Local 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 Crédit Local recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local.

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 Crédit Local considers the contractual terms of each instrument, particularly those that could change the timing or amount of contractual cash flows. In making the assess-

ment, Dexia Crédit Local 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 Crédit Local's debt instruments are mainly SPPI which includes vanilla floating or fixed rate loans or securities. Dexia Crédit Local'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 Crédit Local. 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 Crédit Local 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, and approval by the Management Committee and the Board of Directors.

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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local initially recognises and subsequently remeasures 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 Crédit Local'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 Crédit Local can irrevocably designate, on initial recognition, a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as 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 Crédit Local'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 Crédit Local exceptionally changes its business model for managing financial assets. A reclassification only occurs when a change in business model is determined by the senior management of Dexia Crédit Local as a result of external or internal changes that are significant to Dexia Crédit Local's operations (for example, in the event of the acquisition, disposal or termination of an important activity) 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 Crédit Local to manage the residual assets in run-off without any new commercial activity and without accelerated sale, the majority of Dexia Crédit Local's financial assets were held with an objective to collect the cash flows over the life of these assets. Another part of Dexia Crédit Local's financial assets were managed within a collect and sale business model.

The change in Dexia Crédit Local'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 finanial assets as at 1 July 2019. The change in business model which took place in the second half of 2019 in view of the evolving supervisory requirements led to the reclassification of financial assets as from 1 January 2020.

In the case of the reclassification of financial assets into the "Fair value through profit or loss" category, Dexia Crédit Local 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 Crédit Local 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.

On the reclassification of financial assets into the "Fair value through profit or loss" category, the hedging relationships for interest rate risk are.discontinued. These derivatives that can no longer be considered as hedging derivatives from the accounting point of view are classified as Held-for-trading derivatives. The interest rate risk of these assets is still economically hedged by these derivatives but other types of risk, and in particular credit risk, are not hedged.

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 Crédit Local does not have any equity securities held-for-trading.

Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 accounting relationship, it is deemed to be held for trading. The main types of Dexia Crédit Local's derivatives are the currency and the interest rate derivatives but Dexia Crédit Local also makes use of credit derivatives and equity derivatives. Dexia Crédit Local 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 closure of DCL NY in 2020).

Dexia Crédit Local 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 Crédit Local 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 as well as interests generated by these instruments are recognised under "Net gains (losses) on financial instruments at Fair value through profit or loss".

Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 the main considerations in determining 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 Crédit Local 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 Crédit Local's off balance sheet undrawn loan commitments and financial guarantees given.

In this model, each financial instrument (except assets that are purchased or originated in default) is allocated amongst 3 stages 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.

This classification is reassessed on a quarterly basis. An exposure that has been classified in stage 3 may revert to stage 1 or 2 if it no longer meets the default criteria. An exposure that has been classified in stage 2 may revert to stage 1 if it no longer presents a significant increase in credit risk since its initial recognition.

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 Crédit Local 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 Crédit Local 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 involves comparing the average probability of default (measured over the cycle) of the contract at the closing date and 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].

(1) Forbearance measures includes restructurings with concessions granted to counterparties facing financial difficulties.
(2) Sensitive sectors are economic sectors which demonstrate indication(s) of elevated credit risk.

IFRS 9 standards indicate 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 Crédit Local'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.

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 macroeconomic conditions.

Dexia Crédit Local 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 macroeconomic variables and risk parameters and are built statistically by finding historical relations between them. The most relevant macroeconomic variables include GDP, unemployment rate, Inflation, GDP growth, as well as yields and interest indicators. 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 Crédit Local's internal backtest policy. The results of these backtests are submitted to the internal validation department and presented to the management bodies.
- *Scenarios:* Dexia Crédit Local developed ECL projections for 3 macroeconomic scenarios: baseline, upward and downturn, the last two defined symmetrically around the baseline. The baseline macroeconomic scenario consists of predictions over a 3 year-time horizon on a number of macroeconomic 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. Weighteed probability 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 Crédit Local.

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 by applying cash flow models, by comparison to the financial structure of similar counterparties, by analysing the borrower's repayment ability or by taking into account the 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 Crédit Local 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 Crédit Local 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 Crédit Local recognizes the changes in the amount of expected credit losses related to debt instruments, loan comitments 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 Crédit Local'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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local in profit or loss.

According to Dexia Crédit Local'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. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc.

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 Crédit Local'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 Crédit Local 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 Crédit Local'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 Crédit Local'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 Crédit Local'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 Market Risk department regularly monitors 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 Crédit Local 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 level 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 Crédit Local's general principals 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 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. 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 Crédit Local maximises the use of market data.
Dexia Crédit Local 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 Crédit Local 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 Crédit Local's own credit risk.
When determining the CVA / DVA, Dexia Crédit Local 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 Crédit Local 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.
Regarding the valuation of assets, Dexia Crédit Local takes into account the prepayment risk associated with these assets. Dexia Crédit Local 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

For all interest bearing instruments, excluding trading derivatives measured at Fair value through profit or loss and including economic hedging derivatives that are held for risk management purposes but for which hedging accounting is not applied, interest income and expense are recognised in the income statement in net interest income on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs).
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 Crédit Local 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 Crédit Local recognises revenue when it transfers the control over a product or service to a customer.
Commissions and fees arising from most of Dexia Crédit Local'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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local records changes in the Fair value of derivatives that are designated, and qualify for hedge accounting, 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 Crédit Local amortises the adjustment to the carrying amount of a hedged bearing interest 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 Crédit Local recognises the effective part of the changes in the Fair value of derivatives that are designated and qualify for hedge accounting 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 dates. Dexia Crédit Local 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 Crédit Local 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 Crédit Local recognises the hedging items at Fair value with adjustments accounted for in the income statement.

Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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.

1.1.18. LEASES

As from 1 January 2019, Dexia Crédit Local applies the new IFRS 16 "Leases" to its lease and sublease contracts.
As permitted by the transition requirements of IFRS 16, Dexia Crédit Local 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 Crédit Local 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 Crédit Local does not apply the new standard to leases of intangible assets (eg software).

1.1.18.1. Dexia Crédit Local is the lessee

Dexia Crédit Local grants leases principally for the rental of equipment or real estate.
A lease, as defined by IFRS 16 "Leases" is recognised on Dexia Crédit Local'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 Crédit Local 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 Crédit Local 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 (including for 3-6-9 leases in France), Dexia Crédit Local considers the non-cancellable period of the contract considering, if applicable, any renewal and termination options, if Dexia Crédit Local 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 Crédit Local uses its judgement and considers all relevant facts and circumstances that create an economic incentive for Dexia Crédit Local 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 Crédit Local's operations as well as the outlook for the future use of the assets. In addition, the assumptions used for the determination of the lease term are consistent with those used for the depreciation period for any fixtures and fittings made under the lease.
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 Crédit Local uses its incremental borrowing rate as the discount rate. The discount rate is set by currency and by country of Dexia Crédit Local'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.
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 and the right-of-use asset is 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 Crédit Local 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 Crédit Local is the lessor

Dexia Crédit Local 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 Crédit Local as a lessor are not different from those that prevailed under IAS 17. However, when Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia Crédit Local 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 Crédit Local and its employees.

In some cases, Dexia Crédit Local 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, or A adjusted when maturities are not available in AA, 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 Crédit Local 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 Crédit Local 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 Crédit Local's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate. Under such plans, Dexia Crédit Local's obligations are limited to the contributions that Dexia Crédit Local agrees to pay into the fund on behalf of its employees.

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 Crédit Local can no longer withdraw the offer of those benefits; and

• when Dexia Crédit Local recognises costs for a restructuring that involves the payment of termination benefits.

1.1.22. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments (see note 3.6. Provisions).

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 Crédit Local 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 Crédit Local's ordinary shares

Dexia Crédit Local 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.

1.1.24. 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.

1.1.25. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents held for the purpose of meeting short-term cash commitments 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.

1.1.26. USE OF ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that involve uncertainties relating to their occurrence in the future and that affect the amounts reported, including in the disclosures. 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.

The main valuation processes requiring the use of assumptions and estimates are:

• valuation of financial instruments by means of valuation techniques, determination whether or not there is an active market and the use of internal models when determining the Fair value for financial instruments that are not quoted on an active market (see 1.1.7.);

• determination of expected credit losses (ECL) to be recognized for impairment of financial assets under IFRS 9: assessment of criteria for significant increase in credit risk, choice of appropriate models and assumptions for the measurement of ECL, 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. Dexia Crédit Local uses its judgment for identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.1.15.);

• assessment of the conditions allowing the application of hedge accounting and measurement of hedge effectiveness in hedging relationships (see 1.1.10., 1.1.11.);

• analysis of renegotiated assets in order to determine whether they should be maintained on the balance sheet or derecognised (see 1.1.6.2.4);

• 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 contracts and in particular determination of the lease period (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.). Like many financial institutions, Dexia Crédit Local is subject to several regulatory investigations and is named as a defendant in a number of lawsuits. The existence of a present obligation with probable outflows in the context of litigations requires the use of judgment. The Group's consolidated financial statements reflect the consequences, as assessed by Dexia Crédit Local in accordance with the information available to it on the date of preparation of the financial statements, of major disputes and investigations that could have a material impact on the Group's financial situation, performance or activities and provisions were recorded when deemed necessary.

Moreover, the exercise of judgment is necessary to assess the business model followed by Dexia Crédit Local for the management of financial instruments and whether a financial instrument can be categorised as SPPI or "basic" (see 1.1.6.2.), as well as for the assessment on whether Dexia Crédit Local controls the investee, including structured entities, for determining the consolidation scope (IFRS 10) (see 1.1.3.).

These elements are included in the corresponding sections (as referenced above) of the accounting policies.

COVID-19 crisis

The current context of the public health crisis related to Covid-19 is characterized by significant uncertainties about the duration and the magnitude of the economic effects of the pandemic. These uncertainties have led Dexia Crédit Local to make assumptions and estimates and to exercise a greater degree of judgment in the preparation of its consolidated financial statements as of 31 December 2020. These are mainly related to the measurement of expected credit losses of financial assets and the assessment of the criterion of significant increase in credit risk under IFRS 9.

The main effects of the Covid-19 crisis, as well as the assumptions and estimates updated to take into account the impacts of the COVID-19 pandemic and used in the preparation of the Dexia Crédit Local 's consolidated financial statements as of 31 December 2020 are presented in Note 1.4.1 "Implications relating to Covid-19".

IBOR benchmark rates reform

Following the weaknesses of IBOR interbank rates revealed by the financial crisis, 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 is maintained during the transition period and since 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 risk-free rates which comply with the BMR regulations have been published since 2018. Indexes based on these risk-free rates are intended to replace the current LIBOR USD and LIBOR GBP indexes respectively, the publication of which will also continue at least until the end of 2021. Greater uncertainties remain as regards transactions using the LIBOR index.

Dexia Crédit Local holds financial instruments indexed to the benchmark rates targeted by the reform and is mainly exposed to indices in EUR, Dollar US and Sterling. Derivative instruments held by Dexia Crédit Local will be impacted by changes to agreements with OTC counter-parties and clearing houses. For derivative contracts with clearing houses, the transition to €STR for the remuneration of cash collateral and the discounting curve has occurred on 27July 2020 and the transition to SOFR occurred on 19 October 2020, so resulting in an impact on the valuation of these derivatives. As the change in the Fair value of derivatives is offset by a payment or receipt of a cash compensation, this change had no impact on Dexia Crédit Local's income statement. For derivative contracts under ISDA's (International Swaps and Derivatives Association) Master Agreement, ISDA issued an IBOR Fallbacks Supplement on 23 October 2020 amending the 2006 ISDA definitions to incorporate robust fallbacks for derivatives in order to deal with the discontinuation of benchmark rates. At the same time, the ISDA published a Protocol that faciliates the application of these fallbacks to ongoing non-cleared transactions. The Supplement and the Protocol became effective as from 25 January 2021. Dexia Crédit Local plans to adhere to the ISDA Protocol in 2021 in order to implement its provisions in contracts with bilateral counterparties that have adhered to it. Dexia Crédit Local also plans to negotiate directly with its counterparties the inclusion of new fallback clauses in the event of non-adherence to the ISDA protocol by one of the parties to its derivative contracts.

A project structure has been set up within Dexia Crédit Local since the second half of 2018 in order to ensure the transition to the new benchmark rates. This project involves all of Dexia Crédit Local '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. As part of this project, the following work is being carried out in particular:

– monitoring of the regulatory developments of the IBOR reform ;
– mapping of the financial instruments concerned by the reform;
– analysis and management of risks generated by the reform, which may be legal, financial or operational;
– updating of contracts (benchmark rates replacement in contracts and transactions, insertion of robust fallback clauses);
– updating of information and management systems and processes;
– external and internal communications.

The reporting on the progress of the project is done on a regular basis to the Management Committee 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. Amendments to IFRS 9, IAS 39, IFRS 7 "Interest rate benchmark reform" published by IASB in September 2019 and adopted by the European Union in January 2020 address issues related to hedge accounting in the period of uncertainty preceding 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 relating to 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. In order to ensure the continuity of its hedging relationships, Dexia Crédit Local has early applied the provisions of these amendments since 31 December 2019.

As at 31 December 2020, most of Dexia Crédit Local's hedging relationships remain indexed to the current IBOR references rates, which are mainly 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 Crédit Local will apply the reliefs introduced by the amendments as long as the uncertainties regarding the timing and the amount of cash flows (index, margin adjustment or compensation) of the hedged and hedging instruments (i.e. until the effective amendment of clauses of the affected financial instruments) are not resolved. The notional amounts of hedging instruments impacted by the interest rate reform and to which Dexia Crédit Local applies the exemptions of the amendments are presented in note 7.7 "Hedge accounting".

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest rate benchmark reform – Phase 2" on the second phase of the project relating to accounting issues after the entry into force of the new rates. These new amendments deal in particular with the derecognition and modification of financial assets and liabilities indexed to the rate references concerned by the reform and with hedge accounting issues (voir 1.1.2.2). They should allow to limit the impact of the interest rate reform on Dexia Crédit Local's financial situation and are applicable as from 1 January 2021 or earlier. Dexia Crédit Local has chosen not to early apply the provisions of these amendments.

Brexit

In the context of the exit of the United Kingdom from the European Union as from 1 January 2021 and the signature of the trade and cooperation agreement in December 2020, Dexia Crédit Local continues to follow the progress of the negotiations, particularly in the area of financial services. The consequences of Brexit have been integrated in assumptions and estimates used in preparing the consolidated financial statements and are presented in Note 1.4.2. "Departure of the United Kingdom from the European Union (Brexit)".

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.

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 asset, liabilities, equity and net income does not exceed 1% of the total of the consolidated balance sheet and net income (respectively EUR 1,19 billion and EUR 4,49 million (average on 3 years) in 2019). As at 31 December 2020, the sum of 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

No significant change.

c. Impact of changes in scope on the consolidated income statement

In 2019, the net impact resulting from the sale of DKD is EUR -117 million. This amount includes the net capital loss on disposal as well as the net result of DKD (EUR -9,4 million) and is accounted for in accordance with IFRS 5 as profit from discontinued operations, net of tax. The result on disposals of EUR 108 million includes a negative impact of EUR -235 million due to the recycling to the in-come statement of the gain and loss items recognized directly in the income statement, a positive impact of EUR 130 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 Crédit Local Group as at 31 December 2020

A. Fully consolidated entities

Name	31 December 2019				31 December 2020			
	Country	Method	Control rate	Interest rate	Method	Control rate	Interest rate	Réf
PARENT COMPANY								
Dexia Crédit Local SA	France							
Dexia Crédit Local, Dublin Branch	Ireland	FC	100	100	FC	100	100	
DCL New York Branch[4]	USA	FC	100	100				S1
SUBSIDIARIES								
Dexia CLF Régions Bail	France	FC	100	100	FC	100	100	
Dexia Crediop	Italy	FC	99,57	99,57	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	
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]	Cayman Islands	FC	100	100	FC	100	100	
FSA Portfolio Asset Limited (UK)[2]	United Kingdom	FC	100	100	FC	100	100	
Premier International Funding Co[3]	Cayman 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) FClosure of New York branch and commencement of representative office on November 30th.

Method *FC: Fully Consolidated*
Réf *Out of scope*
S1: Cessation of activity (including dissolution, liquidation)
S2: Company deconsolidated since become below the thresholds
S3: Disposal

B. Non fully consolidated subsidiaries and associated companies not accounted for by the equity method

Name	31 December 2019				31 December 2020			
	Country	Method	Control rate	Interest rate	Method	Control rate	Interest rate	Réf
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	Romania	not FC	100	100	not FC	100	100	
Dexia Management Services Limited	United Kingdom	not FC	100	100	not FC	100	100	
Genebus Lease	France	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 (en liquidation)	Italy	not FC	100	100	not FC	100	100	
South European Infrastructure Equity Finance Ltd Partnership	Luxemburg	not EM	20.83	20.83	not EM			S3
SPS – Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Italy	not EM	20.4	14.28	not EM	20.4	20.4	

Réf *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 por-tion of the assets and liabilities of FSA Global Funding and of Premier International Funding Co.

Dexia Crédit Local did not provide, financial or other support to a consolidated structured entity when Dexia Crédit Local was not contractually obliged to do so, nor has an intention to do so in the future.

e. Significant restrictions on assets and liabilities of an entity

Following IFRS 12, Dexia Crédit Local 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 Crédit Local 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)].

Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obligations of the issuer to the notehold-ers 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 con-trolled 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 customer. 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	101		101
Debt securities	209		209
Loans and advances	50		50
TOTAL	**359**		**359**
Total assets of unconsolidated structured entities	**631**		**631**

The maximum exposure to loss is the Fair value of derivatives and the amortised costs of other instruments.

Dexia Crédit Local 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 Crédit Local, as a run-off structure does not have any income from sponsored structured 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.

(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.

As of 31/12/2020, 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 2020, Dexia Crédit local posted a net result Group share of EUR -557 million (EUR -784 million in 2019).

The net banking income was negative, at EUR -174 million (EUR -631 million in 2019).

As in 2019, in addition to the carrying costs of assets, this amount included in particular impacts associated with the valuation of derivatives, as well as gains from disposal and provisions for legal risk.

It also included in 2020 a charge of EUR 104 million due to the Fair value measurement, as of January 1, 2020, of a EUR 3.4 billion financial assets portfolio, 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 July 19, 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.

In 2019, a charge of EUR 314 million was recorded under this item due to the Fair value adjustment, as of July 1, 2019, of a EUR 5.3 billion portfolio of financial assets of the New York branch.

Gains or losses on financial instruments at Fair value through profit or loss amounted to EUR -31 million (EUR -58 million in 2019). The negative result for the year is mainly explained by the change in value of assets classified at Fair value through profit or loss for an amount of EUR -68 million. The Covid-19 crisis led to a significant increase in credit spreads from mid-March onwards, which was partially reversed in the second half of 2020, leading to a progressive tightening of credit spreads in many market segments. It also includes a favorable evolution of the Funding Value Adjustment (FVA), Credit Value Adjustment (CVA) and Debt Valuation Adjustment (DVA) for a total amount of EUR +35 million. Changes in market parameters during the year, in particular the evolution of the Euribor index in Q4, also had a favorable impact on the Fair value hedging inefficiency of EUR +57 million (EUR -219 million in 2019), offset by a EUR 75 million charge related to the partial hedging of the BOR-OIS basis risk.

Net gains or losses from financial instruments at Fair value through equity and Net gains or losses from derecognition of financial assets at Amortized cost amounted to EUR -65 million (EUR -119 million in 2019) and EUR -3 million (EUR -208 million in 2019) respectively following the disposals made as part of the proactive balance sheet reduction strategy. Thus, in 2020, the Dexia Credit Local Group notably sold EUR 594 million of loans to the French local public sector with a loss of EUR 21 million.

The net other results, at EUR -1 million (EUR +13 million in 2019) mainly resulted from the net provision for litigations.

Costs amounted to EUR -319 million (EUR -358 million in 2019). The EUR 39 million decrease essentially reflects the efforts to control general operating expenses, notably related to the simplification of the international network. In 2019, expenses were particularly impacted by transformation costs following the renewal of the IT infrastructure. Taxes and regulatory contributions remained broadly stable year-on-year: EUR -64 million in 2020, and EUR -62 million in 2019.

Cost of credit risk amounted to EUR -169 million. It is mainly composed of

– a EUR 96 million charge directly related to the Covid-19 crisis, recorded in the first half of 2020, comprising EUR -78 million of collective provisions resulting from the update of the macroeconomic scenarios used for the assessment of expected credit losses, and EUR -14 million of collective provisions following the review of sensitive sectors, which led the Group to classify in stage 2 all counterparties likely to be weakened by the crisis,

– collective provisions on Tunisia, recorded in the 2nd half of 2020, for EUR -51 million, due to the implementation of new macroeconomic scenarios and the downgrading of the Tunisian sovereign's rating from B+ to B.

In 2019, the positive cost of risk (EUR +265 million) reflected the dynamics of disposals of commercial assets, some of which were subject to reversals of provisions.

Net gains or losses on other assets were positive at EUR +104 million: the translation adjustment carried by the equity of the New York branch was recycled to the income statement following the transfer of the entity's residual balance sheet to the Paris headquarters on April 30, 2020.

1.4 Other significant events of the year

1.4.1 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 Crédit Local 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.

Deterioration of credit risk as a consequence of the crisis

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 closing. In particular, the Dexia Crédit Local 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 IFRS9.

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 and by the Federal Reserve in June and September 2020. Even though the initial shock of the pandemic occurred three quarters ago, Dexia Crédit Local takes into account the full impact of the macroeconomic shock of 2020 for the calculation of prospective credit losses as at 31 December 2020. Indeed, the Group considers that State supports helped to mitigate the impact of increased credit risks arising from COVID.

In addition to the automatic classifications in Stage 2 linked to the review of the macroeconomic scenarios and the significant increase in credit risk (SICR), Dexia Crédit Local 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.

Rescheduling of bank loans and granting of secured loans

Over the year 2020, the Dexia Crédit Local Group has rescheduled bank loans for certain clients and granted moratoria on maturities totalling approximately EUR 44.6 million. The impact of the moratoria is not material.

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 Crédit Local is not authorised to grant new financing and therefore has not granted any guaranteed loans.

Funding risk and market risk

Despite market tensions, Dexia Crédit Local, 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 Crédit Local resumed its long-term refinancing programme, and mets its target it in September 2020. In line with the strategy pursued since 2017, the Group did not make use of ECB refinancing facilities.

The crisis resulted in increased volatility in the value of financial assets across 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 the "net gains (losses) on financial assets at Fair value through profit or loss" in 2020, with a shock in the first quarter followed by an improvement in following quarters.

1.4.2 DEPARTURE OF THE UNITED KINGDOM FROM THE EUROPEAN UNION (BREXIT)

Dexia Crédit Local 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 Crédit Local'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 Crédit Local 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 Crédit Local 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.

1.4.3 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 Crédit Local 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, and 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 Crédit Local'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 Crédit Local'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 Crédit Local's financial statements.

1.4.4 ASSET SALES

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.

Under these conditions, the group realized EUR 4.7 billion of disposals and early redemptions. 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 Crédit Local successfully launched the 6th and 7th tranches of its programme to sell loans to French local authorities and sold 287 loans for an outstanding amount of EUR 793 million.

1.5. Operational risk management during the resolution period

In 2020, the Dexia Crédit Local Group has continued to adapt its structure and operational processes to its orderly resolution mandate. This resolution phase is naturally conducive to the development of operational risks, in particular due to elements such as the departure of key persons, a possible demotivation of staff or the modification of handling processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phases, but in the medium term they should ensure the bank's operational continuity and limit the operational risks associated with systems, processes and people.

In particular, the complete migration to a new IT infrastructure, managed by the service provider CHFS (Cognizant Group), was completed at the beginning of the 2020 financial year; it contributes to the stabilization of the IT environment and the securing of operational processes. On this basis, the rapid deployment of a remote working system for all employees in response to the health crisis was greatly facilitated.
In the context of the health crisis, in addition to the permanent governance relating to the management of outsourced services, the monitoring mechanisms were strengthened during the year, in close coordination with CHFS, in order to steer operational continuity, including for the outsourced processes, and to adapt the control framework to remote management.

1.6. Post balance sheet events

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. A law validating this extension was passed in France on 29 December 2020. A law validating this extension was passed in France on 29 December 2020. A draft bill, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.

More detailed information about the guarantee mechanism in favour of Dexia Crédit Local's financing is provided in note 4.4.c. of the consolidated financial statements of this annual report.

2. Notes on the assets

(Some amounts may not add up due to roundings off)

2.1.	Cash and cash equivalents	90
2.2.	Cash and central banks	90
2.3.	Financial assets at Fair value through profit or loss	90
2.4.	Financial assets at Fair value through OCI	91
2.5.	Financial assets at amortised cost - Debt securities	91
2.6.	Financial assets at amortised cost - Interbank loans and advances	92
2.7.	Financial assets at amortised cost - Customer loans and advances	92
2.8.	Accruals and other assets	92
2.9.	Tangible fixed assets	93
2.10.	Intangible assets	93
2.11.	Leases	94
2.12.	Quality of financial assets	94
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	96
2.14.	Transfer of financial assets	97

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 nature

(in EUR million)	31/12/2019	31/12/2020
Cash and central banks (note 2.2)	9,211	9,866
Financial assets at amortised cost - Interbank loans and advances (note 2.6)	713	652
TOTAL	**9,924**	**10,519**

b. Of which, restricted cash:

(in EUR million)	31/12/2019	31/12/2020
Mandatory reserves [1]	7	2
TOTAL	**7**	**2**

(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)	31/12/2019	31/12/2020
Mandatory reserve deposits with central banks	7	2
Other central banks deposits [1]	9,203	9,865
TOTAL	**9,211**	**9,866**
of which included in cash and cash equivalents	*9,211*	*9,866*

(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, 2019, the liquidity reserve is EUR 18.8 billion of which EUR 9.2 billion in the form of deposits with central banks. As of December 31, 2020 the liquidity reserve is EUR 17.9 of which EUR 9.9 billion of deposits in central bank.

2.3. Financial assets at Fair value through profit or loss

(in EUR million)	31/12/2019	31/12/2020
Loans and securities	3,066	3,539
Derivatives (see note 4.1.b)	11,181	9,411
TOTAL	**14,247**	**12,950**

a. Analysis by nature of loans and securities at Fair value through profit and loss

	31/12/2019			31/12/2020		
(in EUR million)	Held for trading	Non-trading financial assets mandatorily at Fair value through P/L	Total	Held for trading	Non-trading financial assets mandatorily at Fair value through P/L	Total
Loans		2,264	2,264		3,139	3,139
Bonds		740	740		392	392
Equity instruments		62	62		7	7
TOTAL	**0**	**3,066**	**3,066**	**0**	**3,539**	**3,539**

b. Analysis by maturity
see note 7.5.

c. Analysis of the Fair value
see note 7.1.

d. Convertible bonds included in the portfolio of financial assets at Fair value through profit or loss (positions higher than EUR 50 million)
Nil.

2.4. Financial assets at Fair value through OCI

a. Analysis by nature

(in EUR million)	31/12/2019	31/12/2020
Loans	1,153	2,290
Bonds	1,657	1,065
Equity instruments designated at FVOCI	39	35
TOTAL ASSETS BEFORE ALLOWANCES	2,849	3,390
Allowances	(12)	(21)
TOTAL ASSETS AFTER ALLOWANCES	2,837	3,369

b. Derecognition of investments in equity instruments
No significant disposal took place in 2019.
In 2020, a partial sale of Ecofin Global Utilities took place. There where no significant gains or losses on this sale.

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)	31/12/2019	31/12/2020
Ecofin Global Utilities	7	4
Istituto per il Credito Sportivo	27	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)	31/12/2019	31/12/2020
Interbank	1,421	1,337
Customers	34,648	35,911
TOTAL ASSETS BEFORE ALLOWANCES	36,069	37,249
Allowances	(57)	(174)
TOTAL ASSETS AFTER ALLOWANCES	36,012	37,075

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)	**31/12/2019**	**31/12/2020**
Nostri accounts	779	654
Cash collateral	20,599	19,995
Reverse repurchase agreements (reverse repos)	1,502	722
Other interbank loans and advances	188	141
TOTAL ASSETS BEFORE ALLOWANCES	**23,068**	**21,512**
Allowances	(2)	(14)
TOTAL ASSETS AFTER ALLOWANCES	**23,066**	**21,498**
of which included in cash and cash equivalents	*713*	*652*

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)	**31/12/2019**	**31/12/2020**
Cash collateral	4,867	6,287
Reverse repurchase agreements (reverse repos)		213
Loans and advances	27,123	20,626
TOTAL ASSETS BEFORE ALLOWANCES	**31,990**	**27,126**
Allowances	(219)	(231)
TOTAL ASSETS AFTER ALLOWANCES	**31,771**	**26,895**
of which included in finance leases	*1,070*	*964*

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)	**31/12/2019**	**31/12/2020**
Deferred expense	4	4
Other accounts receivable [(1)]	151	94
TOTAL ASSETS	**155**	**98**

(1) The amount at 31/12/2019 includes transactions in the process of liquidation for an amount of EUR 66 million. These transactions were finalized in the first days of 2020.

2.9. Tangible fixed assets

a. Net book value

(in EUR million)	Land and buildings Right-of-use	Office furniture and other equipment Own use owner	Total
Acquisition cost as at 1 January 2019	**0**	**34**	**34**
- First time application of IFRS 16	58	0	58
- Acquisitions		1	1
- Transfers and cancellations		(18)	(18)
- Translation adjustments		1	1
Acquisition cost as at 31 December 2019 (A)	**58**	**18**	**76**
Accumulated depreciation and impairment as at 1 January 2019	**0**	**(32)**	**(32)**
- First time application of IFRS 16	(2)	0	(2)
- Depreciation booked	(10)	(1)	(11)
- Transfers and cancellations		18	18
- Translation adjustments		(1)	(1)
Accumulated depreciation and impairment as at 31 December 2019 (B)	**(12)**	**(16)**	**(28)**
Net book value as at 31 December 2019 (A)+(B)	**46**	**2**	**48**

(in EUR million)	Land and buildings Right-of-use	Office furniture and other equipment Own use owner	Total
Acquisition cost as at 1 January 2020	**58**	**18**	**76**
- Acquisitions	2	1	3
- Transfers and cancellations	(2)		(2)
Acquisition cost as at 31 December 2020 (A)	**59**	**19**	**78**
Accumulated depreciation and impairment as at 1 January 2020	**(12)**	**(16)**	**(28)**
- Depreciation booked	(19)	(1)	(20)
- Transfers and cancellations	1		1
Accumulated depreciation and impairment as at 31 December 2020 (B)	**(30)**	**(17)**	**(47)**
Net book value as at 31 December 2020 (A)+(B)	**29**	**2**	**31**

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)	2019 Internally developed software	2019 Other intangible assets[1]	2019 Total	2020 Internally developed software	2020 Other intangible assets[1]	2020 Total
Acquisition cost as at 1st January	**119**	**97**	**216**	**127**	**73**	**200**
- Acquisitions	8	3	11	1	2	2
- Transfers and cancellations	0	(27)	(27)	0	0	0
Acquisition cost as at 31 December (A)	127	73	200	128	74	202
Accumulated depreciation and impairment as at 1st January	**(96)**	**(83)**	**(179)**	**(105)**	**(66)**	**(171)**
- Booked	**(9)**	**(10)**	**(19)**	**(7)**	**(4)**	**(11)**
- Transfers and cancellations	0	27	27	0	0	0
Accumulated depreciation and impairment as at 31 December (B)	(105)	(66)	(171)	(112)	(70)	(182)
Net book value as at 31 December (A)+(B)	**22**	**7**	**29**	**16**	**5**	**21**

(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)	**31/12/2019**	**31/12/2020**
Less than 1 year	38	40
1 to 2 years	2	10
3 to 4 years	138	214
Over 5 years	884	728
Subtotal	**1 062**	**993**
Net investment in finance leases	**1 062**	**993**

Operating leases

Nil.

b. Group as Lesser

Finance leases

Nil.

Operating leases

Gross investment in finance leases (in EUR million)	**31/12/2019**	**31/12/2020**
Less than 1 year	10	8
1 to 2 years	10	10
2 to 3 years	10	8
3 to 4 years	11	8
4 to 5 years	11	4
Over 5 years	6	0
Total	**58**	**38**

Amounts recognised in profit and loss (in EUR million)	**31/12/2019**	**31/12/2020**
Expenses relating to short-term leases	12	3
Amounts recognised in the statement of cash flows [(1)]	(22)	(24)

(1) 2019 published amount (EUR 2 million) has been revised.

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 have been recognized on January 1, 2020.

2.12. Quality of financial assets

	31/12/2019					
(in EUR million)	**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	31,125	4,899	(4)	(50)	31,121	4,849
Financial assets at amortised cost - Interbank loans and advances	22,966	102	0	(2)	22,966	100
Financial assets at amortised cost - Customer loans and advances	23,665	7,767	(1)	(95)	23,664	7,672
Financial assets at Fair value through OCI - Fixed revenue instruments	2,319	489	0	(12)	2,319	477
Other accounts receivable	69	2	0	0	69	2
TOTAL	**80,144**	**13,259**	**(5)**	**(159)**	**80,139**	**13,100**

(in EUR million)	31/12/2020 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	30,518	6,693	(19)	(153)	30,499	6,540
Financial assets at amortised cost - Interbank loans and advances	21,421	91	(0)	(14)	21,421	77
Financial assets at amortised cost - Customer loans and advances	20,660	5,988	(0)	(117)	20,660	5,871
Financial assets at Fair value through OCI - Fixed revenue instruments	2,106	1,211	(1)	(13)	2,105	1,198
Other accounts receivable	92	0	0	0	92	0
TOTAL	**74,798**	**13,982**	**(20)**	**(296)**	**74,778**	**13,686**

(in EUR million)	31/12/2019			31/12/2020		
	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	45	(3)	42	37	(2)	35
Financial assets at amortised cost - Customer loans and advances	476	(117)	359	405	(104)	301
Financial assets at Fair value through OCI - fixed revenue instruments	2	0	2	38	(7)	30
Other accounts receivable	11	(11)	0	4	(4)	0
TOTAL	**534**	**(131)**	**403**	**484**	**(117)**	**367**

(in EUR million)	31/12/2019			31/12/2020		
	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	81	(6)	75	74	(9)	64
TOTAL	**81**	**(6)**	**75**	**74**	**(9)**	**64**

(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	36,069	(4)	(50)	(3)	36,012
Financial assets at amortised cost - Interbank loans and advances	23,068	0	(2)	0	23,066
Financial assets at amortised cost - Customer loans and advances	31,990	(1)	(95)	(123)	31,771
Financial assets at Fair value through OCI - fixed revenue instruments	2,810	0	(12)	0	2,798
Other accounts receivable	82	0	0	(11)	71
TOTAL FINANCIAL ASSETS	**94,019**	**(5)**	**(159)**	**(137)**	**93,718**

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)	31/12/2020 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities	37,249	(19)	(153)	(2)	37,075
Financial assets at amortised cost - Interbank loans and advances	21,512	(0)	(14)	0	21,498
Financial assets at amortised cost - Customer loans and advances	27,126	(0)	(117)	(113)	26,896
Financial assets at Fair value through OCI - fixed revenue instruments	3,355	(1)	(13)	(7)	3,334
Other accounts receivable	96	0	0	(4)	92
TOTAL FINANCIAL ASSETS	**89,337**	**(20)**	**(296)**	**(127)**	**88,894**

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

In a context of the evolution of regulations and supervisors' requirements, including the end of access to Eurosystem funding for entities under resolution as of 1 January 2022 as well as the non-renewal of Dexia's specific prudential approach by the European Central Bank, on 19 July 2019 the Board of Directors validated the implementation of an asset disposal programme known as the Remedial Deleveraging Plan (RDP).
This plan encompasses a nominal amount of assets of EUR 9.9 billion. 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, results in the reclassification on the first day of the reporting period following the decision, i.e. 1 January 2020, from "*Amortised cost*" to:

– "*Fair value through profit or loss*": an asset portfolio of EUR 3, 366 million (EUR 2,936 million in customer loans and EUR 353 million in securities) for which the sale decision is made.

The Fair value measurement of these assets on January 1 results in the recognition of an expense of EUR 104 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 104 million linked to the qualification, on January 1, as economic hedging of derivatives designated as portfolio hedges of part of the reclassified loans.

– "*Fair value through other comprehensive income*": a portfolio of EUR 3,009 million in assets (EUR 2,633 million in customer loans and EUR 376 million in securities) 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 January 1 has a negative effect of EUR 92 million in the change in Fair value of debt instruments measured at Fair value through other comprehensive income.including a negative effect of EUR 109 million linked to the qualification, on January 1, as economic hedging of derivatives designated as portfolio hedges of part of the reclassified loans.

	Nominal	**Amount coming from the reclassification recognized in:**	
Date of reclassification: January 1, 2020 (in EUR million)	**Reclassification as of January 1, 2020**	**Income statement**	**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	430	(16)	
From Debt securities at amortised cost to Financial assets at Fair value through other comprehensive income	376		(35)
From customer loans and advances to Financial assets at Fair value through profit or loss	2,936	(88)	
From customer loans and advances to Financial assets at Fair value through other comprehensive income	2,633		(57)
TOTAL	**6,375**	**(104)**	**(92)**

In 2020, EUR 2.4 billion of assets were sold under this plan, of which EUR 1.4 billion classified at Fair value through profit or loss (EUR 0.2 billion in securities and EUR 1.2 billion in loans) and EUR 1 billion classified at Fair value through other comprehensive income (EUR 0.3 billion in securities and EUR 0.7 billion in loans) with respective impacts on the result of EUR -4 million in "Net gains or losses from financial instruments at Fair value through profit or loss", and EUR -29 million in "Net gains or losses from financial instruments at Fair value through other comprehensive income".
As of December 31, 2020, the residual amount of assets of the "Remedial Deleveraging Plan" which appears on the balance sheet amounts to EUR 4 billion.

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.

	31/12/2019		31/12/2020	
(in EUR million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets at amortised cost -Debt securities not derecognised due to following transactions:				
Repurchase agreements	6,258	5,443	10,361	10,031
TOTAL	**6,258**	**5,443**	**10,361**	**10,031**
Financial assets at Fair value through OCI not derecognised due to following transactions:				
Repurchase agreements	516	484		
TOTAL	**516**	**484**	**0**	**0**
Non-trading financial assets mandatorily at Fair value through P/L not derecognised due to following transactions:				
Repurchase agreements	406	332		
TOTAL	**406**	**332**	**0**	**0**
TOTAL	**7,180**	**6,259**	**10,361**	**10,031**

3. Notes on the liabilities

(some amounts may not add up due to roundings off)

3.1.	Financial liabilities at Fair value through profit or loss	98	3.5.	Accruals and other liabilities	99
3.2.	Interbank borrowings and deposits	98	3.6.	Provisions	99
3.3.	Customer borrowings and deposits	99	3.7.	Subordinated debt	101
3.4.	Debt securities	99	3.8.	Information on Equity	102

3.1. Financial liabilities at Fair value through profit or loss

(in EUR million)	31/12/2019	31/12/2020
Liabilities designated at Fair value	1,145	878
Derivatives (see note 4.1)	13,634	11,648
TOTAL	**14,779**	**12,525**

a. Analysis by nature of liabilities held for trading

Nil.

b. Analysis by nature of liabilities designated at Fair value

(in EUR million)	31/12/2019	31/12/2020
Non subordinated liabillities	1,145	878
TOTAL	**1,145**	**878**

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 2019	1 145	7	(46)	293
As at 31 December 2020	878	3	(43)	272

(1) This amount includes the premium/discount and change in market value.

d. Analysis by maturity

See note 7.5.

e. 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 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 Assurer 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 2020, the cumulative change in Fair value attributable to the own credit risk of financial liabilities designated at Fair value amounted to EUR -43 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)	31/12/2019	31/12/2020
Demand deposits	75	0
Repurchase agreements	4,230	4,348
Cash collateral	3,502	3,355
Other debts	4,196	2,347
TOTAL	**12,003**	**10,050**

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)	31/12/2019	31/12/2020
Term deposits	275	256
Total customer deposits	**275**	**256**
Repurchase agreements (1)	3,242	6,306
Cash collaterals	145	48
Other borrowings	190	214
Total customer borrowings	**3,577**	**6,568**
TOTAL	**3,851**	**6,824**

(1) The increase in Repo's drawdowns is explained by very favorable short-term market conditions at the end of 2020.

b. Analysis by maturity

See note 7.5.

c. Analysis of Fair value

See note 7.1.

3.4. Debt securities

a. Analysis by nature

(in EUR million)	31/12/2019	31/12/2020
Certificates of deposit (2)	351	2,361
Non-convertible bonds	62,377	55,000
TOTAL (1)	**62,728**	**57,360**

(1) As at 31 December 2020, the total amount issued with the State guarantee was EUR 55.4 billion (EUR 60.5 billions in 2019).
(2) The increase in certificates of deposit is explained by very favorable conditions on the short-term market at the end of 2020.

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)	31/12/2019	31/12/2020
Accrued costs	14	10
Deferred income	5	2
Grants	32	30
Salaries and social charges (payable)	4	4
Other taxes	13	16
Rental debts	58	38
Other accounts payable and other liabilities	199	260
TOTAL	**325**	**360**

3.6. Provisions

a. Analysis by nature

(in EUR million)	31/12/2019	31/12/2020
Litigation claims(1)	75	79
Restructuring	27	16
Defined benefit plans	4	1
Other long-term employee benefits	3	3
Commitments and guarantees given(2)	8	11
Commitments and guarantees given – stage 1	*0*	*0*
Commitments and guarantees given – stage 2	*2*	*3*
Commitments and guarantees given – stage 3	*6*	*8*
Onerous contracts	0	0
Other provisions	1	0
TOTAL	**118**	**109**

(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 1 JANUARY 2019	**196**	**12**	**4**	**4**	**2**	**218**
Additions	11	23	1	0	0	35
Unused amounts reversed	(55)	(6)	0	(3)	(1)	(66)
Amounts utilized during the year	(20)	(2)	0	(1)	0	(24)
Actuarial gains and losses	0	0	3	0	0	3
Impact application IFRIC 23	(56)	0	0	0	0	(56)
AS AT 31 DECEMBER 2019	**75**	**27**	**7**	**0**	**1**	**110**

(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.

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Other provisions	Total
AS AT 1 JANUARY 2020	**75**	**27**	**7**	**1**	**110**
Additions	7	6	1	0	14
Unused amounts reversed	(1)	(17)	(1)	(1)	(20)
Amounts utilized during the year	(2)	0	0	0	(2)
Actuarial gains and losses	0	0	(3)	0	(3)
Other	(1)	0	0	0	(1)
AS AT 31 DECEMBER 2020	**79**	**16**	**4**	**0**	**99**

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, there remains only a small number of subsidiaries with significant staff members. Except for commitments for statutory pension and defined contribution plans, commitments for defined benefit plans are limited.

They mainly concern retirement allowances in France, pension plans in Italy.

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 4 million as at 31 December 2020 and EUR 7 million as at 31 December 2019.

d. 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 2020 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 Crédiop

Like other Italian banks, Dexia Crédiop 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 has confirmed (i) the validity of derivative contracts entered into by Dexia Crédiop, (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 Crédiop and to pay default interest on the unpaid amounts. The Supreme Court confirmed the decision of the Court of Appeal.

Following these decisions, in 2018 Dexia Crédiop and Prato entered into an out-of-court settlement agreement. Since 2018, Dexia Crédiop 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. Other civil court cases relating to the alleged invalidity of the swaps concluded by Dexia Crédiop are still pending.

A criminal proceeding commenced before the Court of Appeal in Florence concerning the Prato case is also still ongoing.

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 2020, 18 clients had issued summonses against DCL in connection with structured loans, of which 10 concern structured loans held by the *Société Française de Financement Local* (SFIL), parent company of the *Caisse Française de Financement Local* (CAFFIL) and 8 concern structured loans held by DCL.

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. This jurisprudence has been confirmed by several decisions subsequently issued.

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 some of the ongoing proceedings. This order also encourages developments in negotiations with borrowers in dispute.

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

Over recent years, Dexia has proceeded with several disposals of operating entities.

As is customary for this type of transaction, the sale agreements include representations, warranties and indemnification obligations on the part of the vendor, subject to the usual restrictions and limitations for this type of transaction. Therefore, in case of a call on the guarantee relating to an item affecting the entity sold and originating prior to the actual sale of the shares of the entity, Dexia may – in accordance with the provisions of the sale agreement – be required to indemnify the purchaser.

Dexia Crédit Local (DCL) sold its former German subsidiary Dexia Kommunalbank Deutschland in May 2019. The purchaser notified DCL of claims under the liabilities guarantee following the sale. DCL disputes certain elements of these claims, other than those anticipated at the time of the sale in question.

At this time, DCL is unable reasonably to predict on the duration or outcome of these applications, or their potential financial consequences.

3.7. Subordinated debt

a. Analysis by nature

Convertible subordinated debt

Nil.

Non-convertible subordinated debts

(in EUR million)	31/12/2019	31/12/2020
Other subordinated notes	20	19
TOTAL	**20**	**19**

b. Reconciliation of liabilities arising from financing activities

(in EUR million) 01/01/2019	Cash flows	Non-cash changes: Changes arising from obtaining or losing control of subsidiaries	Non-cash changes: Translation adjustment	Non-cash changes: Fair value changes	Non-cash changes: Other changes	31/12/19
126	(106)	0	1	0	0	20

(in EUR million) 01/01/2020	Cash flows	Non-cash changes: Changes arising from obtaining or losing control of subsidiaries	Non-cash changes: Translation adjustment	Non-cash changes: Fair value changes	Non-cash changes: Other changes	31/12/20
20	0	0	(1)	0	0	19

c. Analysis by maturity

See note 7.5.

d. Analysis of Fair value

See note 7.1.

e. Detail of subordinated debts

Currency	Due	Amount in millions 43100,0	a) Circumstances for early redemption b) Conditions for subordination 31/12/18	Indemnity conditions (in %)
GBP	15/10/58	11.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the «Difference»), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. c) None	up to 15/01/2022: LIBOR + 0,3% from 15/01/2022 to redemption date: LIBOR + 0,58%
GBP	15/10/58	5.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the «Difference»), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. c) None	up to 15/01/2022 : LIBOR + 0,39% from 15/01/2022 to redemption date: LIBOR + 0,76%

3.8. Information on Equity

a. Capital stock

The share capital of Dexia Crédit Local is represented by 279,213,332 shares with a nominal value of EUR 1.

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 millions.

4. Other Notes on the balance sheet

(Some amounts may not add up due to roundings off)

4.1.	Derivatives	103	4.6.	Information on disposals groups held for sale and discontinued operations	109
4.2.	Deferred taxes	104	4.7.	Capital stock	110
4.3.	Offsetting financial assets and financial liabilities	105	4.8.	Exchange rates	110
4.4.	Related-party transactions	107	4.9.	Management of capital	110
4.5.	Acquisitions and disposals of consolidated companies	109			

4.1. Derivatives

a. Analysis by nature

	31/12/2019		31/12/2020	
(in EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at Fair value through profit or loss (see notes 2.3 and 3.1)	**11,181**	**13,634**	**9,411**	**11,648**
Derivatives designated as Fair value hedges	1,197	17,846	1,141	19,343
Derivatives designated as cash flow hedges	107	563	76	634
Derivatives designated as portfolio hedges	74	776	46	571
Hedging derivatives	**1,378**	**19,184**	**1,263**	**20,548**
TOTAL DERIVATIVES	**12,559**	**32,818**	**10,675**	**32,195**

b. Detail of derivatives at Fair value through profit or loss

	31/12/2019			31/12/2020		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**154,238**	**9,300**	**12,151**	**144,967**	**8,151**	**10,612**
of which: economic hedges	*23,644*	*295*	*1,062*	*50,885*	*1,126*	*1,806*
OTC options	22	1	1	11	1	1
OTC other	153,927	9,300	12,150	144,935	8,150	10,611
Organized market other	290			22		
Foreign exchange derivatives	**23,517**	**1,684**	**1,372**	**22,253**	**1,044**	**921**
of which: economic hedges	*18,337*	*651*	*615*	*16,634*	*90*	*245*
OTC other	23,517	1,684	1,372	22,253	1,044	921
Credit derivatives	**3,208**	**197**	**111**	**4,089**	**217**	**114**
of which: economic hedges	*2,330*	*129*	*63*	*2,412*	*153*	*73*
Credit default swap	3,208	197	111	4,089	217	114
TOTAL	**180,963**	**11,181**	**13,634**	**171,309**	**9,411**	**11,648**

c. Detail of derivatives designated as Fair value hedges

	31/12/2019			31/12/2020		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**60,212**	**974**	**15,106**	**57,737**	**1,019**	**16,563**
OTC options	23		3	11		2
OTC other	60,189	974	15,103	57,726	1,019	16,561
Foreign exchange derivatives	**6,058**	**223**	**2,739**	**5,529**	**122**	**2,780**
OTC other	6,058	223	2,739	5,529	122	2,780
TOTAL	**66,270**	**1,197**	**17,846**	**63,266**	**1,141**	**19,343**

d. Detail of derivatives designated as cash flow hedges

	31/12/2019			31/12/2020		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**877**	**13**	**217**	**836**	**11**	**226**
OTC other	877	13	217	836	11	226
Foreign exchange derivatives	**1,022**	**94**	**346**	**1,190**	**65**	**408**
OTC other	1,022	94	346	1,190	65	408
TOTAL	**1,899**	**107**	**563**	**2,026**	**76**	**634**

e. Detail of derivatives designated as hedges of a net investment in a foreign entity

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/2019			31/12/2020		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Portfolio Fair value hedges of interest rate risk	5,635	74	776	5,476	46	571
TOTAL	**5,635**	**74**	**776**	**5,476**	**46**	**571**

4.2. Deferred taxes

a. Analysis by nature

(in EUR million)	31/12/2019	31/12/2020
Deferred tax assets	1,281	1,202
Unrecognised deferred tax assets	(1,261)	(1,202)
Recognised deferred tax assets [1]	**20**	**0**
Deferred tax liabilities [1]	**(32)**	**(30)**
TOTAL	**(12)**	**(30)**

(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)	2019	2020
AS AT 1 JANUARY	**(4)**	**(12)**
Charge/credit recognised in the income statement: "Income tax"	(2)	(19)
Movements directly recognized in shareholders' equity	(6)	
Translation adjustment		1
AS AT 31 DECEMBER	**(12)**	**(30)**

c. Deferred taxes

(in EUR million)	31/12/2019	31/12/2020
Deferred tax assets	1,281	1,202
Deferred tax liabilities	(32)	(30)
DEFERRED TAXES	**1,249**	**1,172**

Deferred taxes coming from assets	31/12/2019		31/12/2020	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Loans (and loan loss provisions)	(1,233)	(197)	(1,565)	(293)
Securities	(1,099)	91	(1,425)	(236)
Derivatives	394	64	422	22
Tangible fixed assets and intangible assets	3	3	2	0
Accruals and other assets	0	(8)	0	0
TOTAL	**(1,935)**	**(47)**	**(2,566)**	**(507)**

Deferred taxes coming from liabilities	31/12/2019		31/12/2020	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Derivatives	1,496	(81)	1,741	247
Borrowings, deposits and debt securities	196	107	514	319
Provisions	91	38	43	(48)
Pensions	4	1	3	(1)
Non-deductible provisions	(9)	0	(9)	0
Accruals and other liabilities	5	0	(25)	(68)
TOTAL	**1,783**	**65**	**2,267**	**449**

Deferred taxes coming from other elements (in EUR million)	31/12/2019 Total	31/12/2019 of which, change through profit or loss	31/12/2020 Total	31/12/2020 of which, change through profit or loss
Tax losses carried forward	1,401	97	1,471	9
TOTAL	**1,401**	**97**	**1,471**	**9**
TOTAL DEFERRED TAXES	**1,249**		**1,172**	

d. Expiry date of unrecognised deferred tax assets

(in EUR million)	31/12/2019		
Nature	**Over 5 years**	**Unlimited maturity**	**Total**
Temporary difference		(216)	(216)
Tax losses carried forward	(202)	(842)	(1,044)
TOTAL	**(202)**	**(1,058)**	**(1,261)**

(in EUR million)	31/12/2020	
Nature	**Unlimited maturity**	**Total**
Temporary difference	(137)	(137)
Tax losses carried forward	(1,065)	(1,065)
TOTAL	**(1,202)**	**(1,202)**

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 and the amounts are not significant.

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, respectively 16 November 2015.

As of December 31, 2020, this agreement therefore only concerned situations of possible default by 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

	31/12/2019						
	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**

b. 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	7,335	0	7,335	0	0	(7,335)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**41,906**	**(1,827)**	**40,079**	**(6,926)**	**(20,445)**	**(7,335)**	**5,373**

c. Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2020						
	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	12,311	(2,259)	10,052	(6,566)	(3,216)	0	269
Reverse repurchase and similar agreements	936	0	936	0	(86)	(850)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**13,247**	**(2,259)**	**10,987**	**(6,566)**	**(3,303)**	**(850)**	**269**

d. Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	31/12/2020						
	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	34,385	(2,259)	32,126	(6,566)	(20,203)	0	5,356
Repurchase and similar agreements	10,524	0	10,524	0	0	(10,524)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**44,909**	**(2,259)**	**42,649**	**(6,566)**	**(20,203)**	**(10,524)**	**5,356**

4.4. Related-party transactions

a. Related-party transactions

	Parent company (Dexia)	
(in EUR million)	2019	2020
Borrowings	88	88

Since 31 December 2012, as a result of the capital increase subscribed by the Belgian and French States to the capital increase initiated by Dexia, Dexia Crédit Local's parent company, these shareholders have become the only two shareholders having a significant influence on Dexia Crédit Local.
Group transactions with these shareholders are described in 4.4 C. below. Persuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the States Shareholders are not subject to a separate disclosure.
Loans to the key management have been granted at market conditions and their amounts are not significant.

b. Compensation of key management personnel(*)

(in EUR million)	2019	2020
Short-term benefits[1]	3.2	3.5

(*) Key management personnel are members of the Board of Directors and of the Management Board.
(1) Includes salary, bonus and other benefits

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),
(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 preexisting 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 2020, the total outstanding amount of obligations guaranteed by the States pursuant to the 2013 Guarantee Agreement was EUR 55,4 billion.
In 2020, Dexia paid a total monthly remuneration of EUR 29 million to the States for these guarantees.

Prolongation of the Dexia's senior debt guarantee

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 after December 31, 2021.

In order to anticipate the expiry of the current guarantee, the Belgian and French States notified the European Commission of a project to extend this guarantee for a further period of 10 years as from January 1, 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 case of liquidation of the Group and provided that Dexia Crédit Local no longer has a banking licence. 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).

A law validating this extension was voted in France on 29 December 2020. Dexia expects a similar law to be adopted by the Belgian Federal Parliament in the coming weeks.

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.

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 146.

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 May 1, 2019, Dexia Crédit Local and Helaba concluded the sale of Dexia Kommunalbank Deutschland (DKD), the German banking subsidiary of Dexia Crédit Local. This sale concerns all the shares of Dexia Crédit Local in DKD, representing 100% of the capital.

The assets and liabilities disposed of were as follows:

(in EUR million)	**Dexia Kommunalbank Deutschkand 2019**
Cash and cash equivalent	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	121
Financial assets at amortised cost – Debt securities	2,793
Financial assets at amortised cost – Interbank loans and advances	2,536
Financial assets at amortised cost – Customer loans and advances	14,873
Fair value revaluation of portfolie hedges	314
Accruals and other assets	8
Intercompany accounts: net position	(90)
Financial liabilities at Fair value through profit or loss	(538)
Hedging derivatives	(3,923)
Interbank borrowings and deposits	(1,582)
Financial liabilities at amortised cost – Customer borrowings and deposits	(2,078)
Financial liabilities at amortised cost – Debt securities	(16,360)
Accruals and other liabilities	(15)
Provisions	(7)
NET ASSETS	**215**
Sale price	352
Less: cost of the transaction	(8)
Less: cash and cash equivalents in the subsidiary sold	(17)
Net cash inflow on sale	328

4.6 Information on disposals groups held for sale and discontinued operations

a. Assets and liabilities included in disposal groups held for sale

Nil

b. Income Statement

(in EUR million)	**31/12/2019 Denizbank**	**31/12/2019 Dexia Kommunalbank Deutschland**
Net banking income		**(4)**
Operating expenses		(15)
Cost of credit risk and others		10
Net result before tax		**(9)**
Net result		**(9)**
Result on disposal	4	(108)
Income from discontinued operations, net of tax	**4**	**(117)**
Group share	4	(117)

c. Net cash flow

(in EUR million)	31/12/2019 Dexia Kommunalbank Deutschland
Net cash inflows from operating activities	(97)
Net cash inflows from investing activities	340
TOTAL	**243**

4.7. Capital stock

	2019	2020
Number of shares authorized	279,213,332	279,213,332
Number of shares issued and fully paid	279,213,332	279,213,332
Number of shares issued and not fully paid	0	0
Par value of the share	**1**	**1**
Outstanding as of January, 1st	279,213,332	279,213,332
Outstanding as of December, 31	279,213,332	279,213,332
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of shares	NA	NA

4.8. Exchange rates

The primary exchange rates are presented in the following schedule.

		2019		2020	
		Closing rate (1)	Average rate (2)	Closing rate (1)	Average rate (2)
Australian dollar	AUD	1.5984	1.6084	1.5876	1.6579
Canadian dollar	CAD	1.4567	1.4813	1.5618	1.5384
Swiss Franc	CHF	1.0862	1.1118	1.0804	1.0705
Czech Koruna	CZK	25.4075	25.6608	26.2475	26.4943
Danish Krone	DKK	7.4718	7.4659	7.4408	7.4532
British Pound Sterling	GBP	0.8486	0.8746	0.8995	0.8882
Hong-Kong dollar	HKD	8.7467	8.7700	9.5200	8.8999
Hungarian forint	HUF	330.4450	325.8375	363.2800	353.5913
Shekel	ILS	3.8831	3.9787	3.9470	3.9229
Japenese Yen	JPY	121.9200	121.9921	126.5250	121.9296
Won	KRW	1296.2950	1303.9483	1337.3250	1351.3429
Mexican Peso	MXN	21.1893	21.6307	24.3758	24.7425
Norwegian Krone	NOK	9.8474	9.8481	10.4605	10.7790
New Zealand dollar	NZD	1.6640	1.6963	1.6982	1.7599
Swedish Krona	SEK	10.4754	10.5876	10.0372	10.4739
Singapore dollar	SGD	1.5096	1.5254	1.6214	1.5792
New Turkish Lira	TRY	6.6771	6.3580	9.1318	8.1618
US Dollar	USD	1.1227	1.1195	1.2278	1.1475

(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 Crédit Local 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 roundings off)

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5.1. Interest income – Interest expense

(in EUR million)	**2019**	**2020**
Interest income	**4,450**	**2,821**
a) Interest income on assets not measured at Fair value through P/L	**1,778**	**1,009**
Cash and central banks	41	7
Financial assets at amortised cost - Interbank loans and advances	34	8
Financial assets at amortised cost - Customer loans and advances (3)	714	428
Financial assets at amortised cost - Debt securities	884	480
Financial assets at Fair value through OCI	99	83
Other	6	3
b) Interest income on assets measured at Fair value through P/L	**2,460**	**1,548**
Financial assets mandatorily at Fair value through P/L	155	173
Derivatives held for trading (4)	801	356
Hedging derivatives	1,504	1,019
c) Interests received on financial liabilities	**212**	**264**
Interests received on financial liabilities (2) (4)	212	264
Interest expense	**(4,388)**	**(2,781)**
a) Interest expense on liabilities not measured at Fair value	**(1,311)**	**(769)**
Interbank borrowings and deposits	(276)	(90)
Customer borrowings and deposits	(69)	(13)
Debt securities	(932)	(637)
Amounts covered by sovereign guarantees (1)	(33)	(29)
Other	(1)	(1)
b) Interest expense on liabilities measured at Fair value	**(2,829)**	**(1,687)**
Lliabilities designated at Fair value through P/L	(44)	(36)
Derivatives held for trading (4)	(592)	(307)
Hedging derivatives	(2,193)	(1,344)
c) Interests paid on financial assets	**(248)**	**(325)**
Interests paid on financial assets (2) (4)	(248)	(325)
Net interest income	**62**	**40**

(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 relating to leases: EUR 27 millions in 2020 (EUR 30 millions in 2019).

(4) Since the last annual publication and in order to give readers of the financial statements a more faithful picture of the impacts related to Dexia's economic operations, Dexia has changed the presentation in the statement of income of interest income and expense on trading derivatives measured at Fair value through profit or loss. Trading derivatives held for risk management purposes ("economic" hedges) are not affected by this change (see 1.1.6.2.3). According to this new presentation choice, Dexia has reclassified the interest income and expense relating to these instruments from the publication lines "Interest income" and "Interest expense" to the line "Net gains (losses) on financial instruments at Fair value through profit or loss". The definition of interest included in the income statement lines is provided in note 1.1.8 and the impact of this reclassification is presented in the table below.

This change has no impact on the classification of interest in the cash flow statement.

See note 5.3 and note 1.1.8.

	2019			2020		
	Before change in presentation	**After change in presentation**	**Net impact of change in presentation**	**Before change in presentation**	**After change in presentation**	**Net impact of change in presentation**
Note 5.1						
Interest and similar income						
– trading derivatives	3,566	801	(2,765)	2,433	356	2,077
– borrowings	347	212	(135)	412	264	148
	3,913	**1,013**	**(2,900)**	**2,845**	**620**	**2,225**
Interest and similar expenses						
– trading derivatives	(3,405)	(592)	2,813	(2,525)	(307)	(2,218)
– financial assets	(378)	(248)	130	(481)	(325)	(156)
	(3,783)	**(840)**	**2,943**	**(3,006)**	**(632)**	**(2,374)**
TOTAL	**130**	**173**	**43**	**(161)**	**(12)**	**(149)**
Note 5.3 Net gains (losses) on financial instruments at Fair value through profit or loss						
– Net trading income	**10**	**(33)**	**(43)**	**58**	**(91)**	**149**

5.2. Fees and Commissions

	2019			2020		
(in EUR million)	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Lending activity	6	(4)	2	3	(2)	1
Purchase and sale of securities	0	(1)	(1)	0	0	0
Payment services	0	(3)	(3)	0	(5)	(5)
Services on securities other than custodial services	0	(1)	(1)	0	0	0
Custodial services	3	0	3	2	0	2
Compensation and settlement-delivery	0	(1)	(1)	0	0	0
Intermediation on bond lending and reverse repo	0	(7)	(7)	0	(1)	(1)
Other	1	0	1	0	(7)	(7)
TOTAL	**10**	**(17)**	**(7)**	**6**	**(16)**	**(10)**

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)	**2019**	**2020**
Dividend income on non trading equity instruments mandatorily at FVTPL	8	0
Net trading income [5][6]	(33)	(91)
Net result of hedge accounting	(219)	57
Net result of financial liabilities designated at Fair value through profit or loss [1]	10	18
Net result on non-trading financial assets mandatorily at Fair value through profit or loss [2]	50	(68)
Funding costs associated with non-collateralised derivatives (FVA) [3][4]	89	19
Change in Fair value of derivatives attributable to counterparty risk (credit value adjustment) [3]	58	9
Change in Fair value of derivatives attributable to own credit risk (debit value adjustment) [3]	(8)	7
Net result of foreign exchange transactions	(12)	18
TOTAL	**(58)**	**(31)**
(1) Among which derivatives included in a Fair value option strategy	*81*	*97*
(2) Among which derivatives included in an economic hedge strategy	*7*	*33*

(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 at measuring the funding costs associated with non-collateralised derivatives.

(5) See note 5.1.

(6) Includes an amount of EUR -149 million (EUR -43 million in 2019) of interest income and expense on trading derivatives.

Interest received and paid on assets, liabilities and derivatives are recorded under interest margin, except for 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).

Consequently, net income from hedge accounting, net income from financial liabilities designated at Fair value through profit or loss and net income from non-trading financial assets mandatorily measured at Fair value through profit or loss include only the change in the clean value of derivatives, the revaluation of assets and liabilities included in a hedging relationship and the revaluation of the portfolio measured at Fair value through profit or loss.

Analysis of net result of hedge accounting

(in EUR million)	2019	2020
Fair value hedges	**(219)**	**57**
Fair value changes of the hedged item attributable to the hedged risk	(110)	2 365
Fair value changes of the hedging derivatives	(109)	(2 308)
Cash flow hedges	**0**	**0**
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	0
Portfolio hedge	**0**	**0**
Fair value changes of the hedged item	(225)	(37)
Fair value changes of the hedging derivatives	225	37
TOTAL	**(219)**	**57**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	**2**	**(2)**

The inefficiency is mainly caused by the volatility of the variable component of hedging derivatives.

Changes in the Fair value of hedged items and hedging derivatives vary significantly depending on the changes in long-term interest rates and on transactions during the year (LT debt issues and sales of LT assets). The ineffective portion of Fair value hedges is mainly due to changes in interest rates, i.e. the difference between spot and short-term rates (BOR-OIS and Libor - SONIA), and currency swaps when assets are hedged by CIRS or have collateral in a currency other than that of the hedged item. These basis rates were reversed between 2019 and 2020, due to the change in the sign of the residual inefficiency.

5.4. Net gains (losses) on financial assets measured at FVOCI

(in EUR million)	2019	2020
Net gain (loss) on disposals of loans measured at FVOCI (1)	9	(29)
Net gain (loss) on disposals of bonds measured at FVOCI (2)	(128)	(36)
TOTAL	**(119)**	**(65)**

(1) 2020 includes a loss of EUR -21 million on the sale of a portfolio of loans on the French local public sector of EUR 594 million.
(2) 2019 includes a EUR -52 millions 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 -19 million loss on the sale of a EUR 432 million portfolio of spanish cedulas.

5.5. Net gains (losses) on financial instruments measured at AC

In the second half of 2019, the 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)	2019	2020
Net gain (loss) on disposals of loans measured at AC(1) (2)	(4)	1
Net gain (loss) on disposals of bonds measured at AC(1) (3)	(185)	(0)
Net gain (loss) on redemption of borrowings and deposits	(19)	(4)
TOTAL	**(208)**	**(3)**

(1) Except for gains and losses on impaired securities, which are included in the 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)	2019	2020
Other banking income	1	1
Litigations(1)	53	3
Other income	3	2
TOTAL	**57**	**6**

(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)	2019	2020
Provisions for litigations[1]	(9)	(7)
Other expenses	(35)	(0)
TOTAL	**(44)**	**(7)**

(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)	2019	2020
Payroll costs	(112)	(91)
General and administrative expenses	(218)	(198)
TOTAL	**(330)**	**(289)**

a. Payroll Costs

(in EUR million)	2019	2020
Compensation and salary expense	(66)	(58)
Social security and insurance expense	(24)	(23)
Employee benefits	(7)	(5)
Restructuring costs	(15)	(3)
Other	0	(2)
TOTAL	**(112)**	**(91)**

b. Employee information

	2019	2020
(Average full time equivalent)	Fully consolidated	Fully consolidated
Executive staff	13	13
Administrative staff	537	470
TOTAL	**550**	**483**

			2019		
(Average full time equivalent)	France	Italy	Other Europe	USA	Total
Executive staff	6	2	1	4	13
Administrative staff	407	74	17	39	537
TOTAL	**413**	**76**	**18**	**43**	**550**

			2020		
(Average full time equivalent)	France	Italy	Other Europe	USA[1]	Total
Executive staff	6	2	1	4	13
Administrative staff	371	74	17	8	470
TOTAL	**377**	**76**	**18**	**12**	**483**

(1) Following the transformation of the New York branch into a representative office on November 30, 2020, the staff in the USA has been reduced and amounts to 12 people by the end of 2020.

c. General and administrative expenses

(in EUR million)	2019	2020
Cost of premises	(5)	(5)
Rent expense[1]	(7)	(4)
Fees	(43)	(39)
Marketing, advertising and public relations	(1)	0
IT expense	(79)	(70)
Software, research and development	(2)	(2)
Maintenance and repair	(2)	(1)
Insurance (except related to pensions)	(3)	(3)
Other taxes[2]	(63)	(65)
Other general and administrative expenses	(13)	(10)
TOTAL	**(218)**	**(198)**

(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 -56 million in 2020 and EUR -50 millions in 2019) 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 2019 and 2020, and an amount of EUR -2 million, in respect of the contribution, in 2019 and 2020, to support funds for local authorities and hospital sector implemented in France.

5.9. Depreciation, amortisation and impairment of tangible fixed assets and intangible assets

Depreciation and amortisation (in EUR million)	**2019**	**2019**
Depreciation of other tangible fixed assets[1]	(11)	(20)
Amortization of intangible assets	(18)	(11)
TOTAL	**(29)**	**(30)**

(1) In 2020, Dexia Crédit Local has paid an indemnity of EUR 11 million for the early return of part of the premises hosting its head office. In 2019, the application of the standard IFRS16 "Leases" leads to the recognition in 2019 of a depreciation of EUR -8 million, as the right to use the premises hosting the head office of Dexia Crédit 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 - Customer loans and advances		(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 important 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 billion of its total balance sheet. 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 these changes. The updated methodology also includes the improvements and better knowledge of credit risk gained during the two years since January 1, 2018.
Should the old methodology have been applied, the amount of collective provision stage 2 would have been EUR 316 million before upgrade of rating of Portugal. The actual 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.

	2020				
(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		(12)			(12)
Financial assets at amortised cost - Customer loans and advances		(38)	(7)	(3)	(49)
Financial assets at amortised cost - Interbank debt securities	(1)	(56)			(57)
Financial assets at amortised cost - Customer debt securities	(14)	(51)	1		(65)
Financial assets at Fair value through OCI - Customer loans and advances			5		5
Financial assets at Fair value through OCI - Debt securities		9			9
Other accounts receivable	(1)		3		2
Off-balance sheet commitments		(1)	(2)		(3)
TOTAL	**(16)**	**(149)**	**(1)**	**(3)**	**(169)**

While the year 2019 was marked by reversals of provisions following the change in the method used to calculate the SICR, based on the method developed by the EBA, and by significant reversals related to asset disposals in the USA, the year 2020 is impacted by the Covid-19 crisis with the recording of EUR 96 million of provisions related to changes in macroeconomic scenarios and the review of sensitive sectors.

In addition, a collective provision of EUR 51 million has been recorded in stage 2 on the Tunisian counterpart to take into account the risks related to Covid-19 and the degradation of the Tunisian sovereign.

Detail

Stage 1	2019			2020		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Customer loans and advances	(1)	1	0			0
Financial assets at amortised cost - Interbank debt securities			0	(1)		(1)
Financial assets at amortised cost - Customer debt securities	(4)	3	(1)	(17)	3	(14)
Financial assets at Fair value through OCI - Debt securities		1	(1)	(1)	1	0
Other accounts receivable			0	(1)		(1)
TOTAL	**(5)**	**5**	**0**	**(20)**	**4**	**(16)**

Stage 2	2019			2020		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Interbank loans and advances				(12)		(12)
Financial assets at amortised cost - Customer loans and advances	(70)	53	(17)	(81)	42	(38)
Financial assets at amortised cost - Interbank debt securities		1	1	(75)	19	(56)
Financial assets at amortised cost - Customer debt securities	(12)	190	178	(72)	21	(51)
Financial assets at Fair value through OCI - Customer loans and advances	(2)	2	0	(13)	13	0
Financial assets at Fair value through OCI - Debt securities	(9)	13	4		9	9
Off-balance sheet commitments	(1)	2	1	(2)	1	(1)
TOTAL	**(94)**	**261**	**167**	**(255)**	**106**	**(149)**

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**

Stage 3	2020			
(in EUR million)	Additions	Recoveries	Losses	Total
Financial assets at amortised cost - Customer loans and advances	(17)	16	(6)	(7)
Financial assets at amortised cost - Customer debt securities	(2)	3		1
Financial assets at Fair value through OCI - Customer loans and advances	(3)	8		5
Financial assets at Fair value through OCI - Debt securities	(1)	4		3
Other accounts receivable	(2)	0		(2)
TOTAL	**(25)**	**31**	**(6)**	**(1)**

5.11. Net gains (losses) on other assets

(in EUR million)	2019	2020
Net gains (losses) on disposals of other fixed assets [1]	0	104
TOTAL	**0**	**104**

(1) In 2020, the translation adjustment carried by the equity of the New York branch has been recycled to the income statement following the transfer of the entity's residual balance sheet to the Paris headquarters on April 30, 2020.

5.12. Income tax

Detail of tax expense (EUR million)	2019	2020
Income tax on current year	(4)	20
Deferred taxes on current year	0	(19)
TAX ON CURRENT YEAR RESULT (A)	**(4)**	**0**
Income tax on previous year	(32)	0
Deferred taxes on previous year	(2)	0
Provision for tax litigations (1)	55	0
OTHER TAX EXPENSE (B)	**21**	**0**
TOTAL (A) + (B)	**17**	**0**

(1) In 2019, includes the reversal of the provision on the tax audit for the year 2013 in Dexia Crédit Local.

Effective corporate income tax charge

For large companies (those with turnover of more than 250 million euros), the Finance Act for 2020 provided for the following rates: 31% for the years ended December 31, 2020, on the taxable income of 500,000 euros (compared to a rate of 33 1/3% in 2019) and 28% up to that amount. For corporation tax in fiscal year 2021 and 2022, the rates provided for by the current legislation will be 27.5% and 25% respectively on all taxable profits. The social contribution of 3.3% remains applicable (based on the amount of corporation tax for the part exceeding 763,000 euros).

The deferred tax rate for Dexia Crédit Local Group companies under French law is now 25.825% (25% rate plus the additional contribution), knowing that no deferred tax asset was recognized.
The rate applied to foreign subsidiaries results is the one applicable locally according to the national legislation.
The average tax rate recorded in 2019 is -0.64% and 0.08% in 2020.
The difference with the French rate can be explained as follows:

(EUR million)	2019	2020
Net income before tax	**(724)**	**(558)**
Tax base	**(724)**	**(558)**
Statutory tax rate	34.43%	32.02%
Theoretical corporate income tax at the standard rate	**249**	**179**
Impact of differences between foreign tax rates and the standard Belgian tax rate	(57)	(11)
Tax effect of non-deductible expenses	(100)	(74)
Tax effect of non-taxable income	62	2
Impact of items taxed at a reduced rate	(16)	(4)
Other additional taxes or tax savings (1)	(12)	(29)
Tax effect from reassessment of unrecognised deferred tax assets	(130)	(62)
Tax on current year	**(4)**	**0**
Effective tax rate	**-0.64%**	**0.08%**

Tax consolidation

Dexia SA établissement stable in France is the head of the tax group, bringing together the following companies:

Dexia Crédit Local
GENEBUS Lease
Dexia Flobail
DEXIARAIL
DCL Evolution
Dexia CLF Régions Bail

Tax savings made by the tax group, as a result of losses, are recorded by Dexia Etablissement Stable (outside the scope of Dexia Crédit Local). However an addendum to the tax consolidation’s agreement between DSA ES and DCL allows the latter under certain conditions to benefit from tax savings as a result of its own losses and up to the level of tax transfers performed by its subsidiaries to DSA ES.

6. Note on off-balance sheet items

These notes will be supplemented with the information in the following notes :
– note 7.3.: Information on guarantees
– note 1.2.d. paragraph "Nature of risks associated with Dexia's entities interests in consolidated structured entities"
– note 2.14: Transfer of financial assets
– note 4.3: Offsetting of financial assets and financial liabilities

6.1. Regular way trade

(in EUR million)	31/12/2019	31/12/2020
Liabilities to be received	1,301	2,379

6.2. Guarantees

(in EUR million)	31/12/2019	31/12/2020
Guarantees given to credit institutions	308	277
Guarantees given to customers	427	433
Guarantees received from credit institutions	105	8,869
Guarantees received from customers	2,707	2,449
Guarantees received from the States	60,530	55,442

(1) See note 4.4.C "Transactions with the Belgian, French and Luxembourg States" and note 3.4. "Debt securiies".

6.3. Loan commitments

(in EUR million)	31/12/2019	31/12/2020
Unused lines granted to credit institutions	9	8
Unused lines granted to customers	624	460
Unused lines granted from credit institutions	5,676	5,985
Unused lines granted from customers	756	732

6.4. Other commitments

(in EUR million)	31/12/2019	31/12/2020
Financial instruments given as collateral and other commitments given	35,384	32,896
Financial instruments received as collateral other commitments received	8,489	6,097

7. Note on risk exposure

(some amounts may not add up due to rounding differences)

7.0.	Risk exposure and hedging strategy	119	7.4	Sensitivity to interest rate risk and other market risks	130
7.1.	Fair value	119	7.5.	Liquidity risk	131
7.2.	Credit risk exposure	123	7.6.	Currency risk	133
7.3.	Collateral	129	7.7.	Hedge accounting	133

7.0. Risk exposure and hedging strategy

We refer to chapter Risk Management, pages 19 to 29.

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.

	31/12/2019		
(in EUR million)	Carrying amount	Fair value	Unrecognised Fair value adjustment
Cash and central banks	9,211	9,211	0
Debt securities	36,012	31,902	(4,110)
Interbank loans and advances	23,066	22,988	(78)
Customer loans and advances	31,771	28,408	(3,363)
Interbank borrowings and deposits	12,003	12,013	11
Customer borrowings and deposits	3,851	3,852	2
Debt securities	62,728	63,335	609
Subordinated debt	20	20	0

	31/12/2020		
(in EUR million)	Carrying amount	Fair value	Unrecognised Fair value adjustment
Cash and central banks	9,866	9,866	0
Debt securities	37,075	32,223	(4,852)
Interbank loans and advances	21,498	21,691	193
Customer loans and advances	26,895	21,795	(5,100)
Interbank borrowings and deposits	10,050	10,228	178
Customer borrowings and deposits	6,824	6,793	(31)
Debt securities	57,360	57,998	638
Subordinated debt	19	19	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 Crédit Local.

Fair value of financial assets

(in EUR million)	31/12/2019 Level 1	Level 2	Level 3	Total
Cash and central banks		9,211		9,211
Financial assets at Fair value through profit and loss		9,306	1,874	11,181
** Derivatives*		*9,306*	*1,874*	*11,181*
Financial assets mandatorily at FVTPL	124	1,757	1,185	3,066
** Debt securities*	*93*	*415*	*232*	*740*
** Loans and advances*		*1,328*	*936*	*2,264*
** Equity instruments*	*31*	*14*	*17*	*62*
Hedging derivatives		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*
** Loans and advances*		*863*	*287*	*1,150*
** Equity instruments designated at FVOCI*	*8*	*27*	*5*	*39*
Financial assets at amortised cost - Debt securities	21,835	9,209	858	31,902
Financial assets at amortised cost - Interbank loans and advances		21,985	1,003	22,988
Financial assets at amortised cost - Customer loans and advances		15,072	13,336	28,408
TOTAL	**22,379**	**69,353**	**19,239**	**110,970**

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		12,544	2,235	14,779
** Financial liabilities designated at FVTPL*		*1,145*		*1,145*
** Trading derivatives*		*11,399*	*2,235*	*13,634*
Hedging derivatives		9,452	9,732	19,184
Interbank borrowings and deposits		5,296	6,718	12,013
Customer borrowings and deposits		2,620	1,233	3,852
Debt securities	96	47,263	15,976	63,335
Subordinated debt			20	20
TOTAL	**96**	**77,175**	**35,914**	**113,185**

Fair value of financial assets

(in EUR million)	31/12/2020 Level 1	Level 2	Level 3	Total
Cash and central banks		9,866		9,866
Financial assets at Fair value through profit and loss		7,353	2,058	9,411
** Derivatives*		*7,353*	*2,058*	*9,411*
Financial assets designated at FVTPL		1,607	1,932	3,539
** Debt securities*		*257*	*135*	*392*
** Loans and advances*		*1,350*	*1,789*	*3,139*
** Equity instruments*			*7*	*7*
Hedging derivatives		1,149	114	1,263
Financial assets at Fair value through OCI	108	2,352	909	3,369
** Debt securities*	*104*	*937*	*23*	*1,064*
** Loans and advances*		*1,389*	*881*	*2,270*
** Equity instruments*	*4*	*27*	*4*	*35*
Financial assets at amortised cost - Debt securities	20,957	10,435	831	32,223
Financial assets at amortised cost - Interbank loans and advances		20,693	998	21,691
Financial assets at amortised cost - Customer loans and advances		11,956	9,839	21,795
TOTAL	**21,065**	**65,412**	**16,681**	**103,158**

Fair value of financial liabilities

(in EUR million)	31/12/2020 Level 1	Level 2	Level 3	Total
Financial liabilities at Fair value through profit and loss		9,783	2,742	12,525
** Financial liabilities designated at Fair value*		*877*		*877*
** Trading derivatives*		*8,905*	*2,742*	*11,648*
Hedging derivatives		9,444	11,103	20,548
Interbank borrowings and deposits		6,831	3,397	10,228
Customer borrowings and deposits		5,845	948	6,793
Debt securities	96	42,805	15,097	57,998
Subordinated debt			19	19
TOTAL	**96**	**74,708**	**33,307**	**108,111**

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.

	31/12/2019		31/12/2020	
(in EUR million)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets available for sale - bonds		56	63	104
TOTAL FINANCIAL ASSETS	**0**	**56**	**63**	**104**
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**

The amounts of transfers between levels are the amouts of Fair value of financial instruments at the closing date

e. Level 3 reconciliation

	2019								
(in EUR million)	**Opening balance**	**Total gains/ losses in P&L**	**Unreal-ised or deferred gains/ losses**	**Settle-ment**	**Transfer into level 3[(1)]**	**Transfer out of level 3[(2)]**	**Other move-ments[(3)]**	**Changes in scope of con-solida-tion[(4)]**	**Closing**
Non-trading financial assets mandatorily at Fair value throught profit or loss									
Debt securities	194	(37)		(1)			76		232
Loans and advances	236	(25)		(18)	572		170		936
Equity instruments	32	(11)		(3)					17
Trading derivatives	3,772	(1,471)				(319)	(108)		1,874
Hedging derivatives	301	(110)	(20)		11	(37)	(2)		144
Financial assets at fair through other comprehensive income									
Debt securities	62	(68)	3				549		546
Loans 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)**	**(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**	**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.

(in EUR million)	2019 Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/ losses	Sales	Settlement	Transfer into level 3	Transfer out of level 3	Other movements[1]	Closing
Non-trading financial assets mandatorily at Fair value throught profit or loss									
Debt securities	232	(55)			(13)		(21)	(8)	135
Loans and advances	936	(137)			(50)	7	(11)	1,044	1,789
Equity instruments	17				(10)				7
Trading derivatives	1,874	145				85		(46)	2,058
Hedging derivatives	144	(29)							114
Financial assets at fair through other comprehensive income									
Debt securities	546	17	15	(126)			(393)	(36)	23
Loans and advances	287	(17)	8		(212)			815	881
Equity instruments	5								5
TOTAL FINANCIAL ASSETS	**4,041**	**(77)**	**23**	**(126)**	**(284)**	**93**	**(425)**	**1,769**	**5,013**
Derivatives held for trading	2,235	92	388			99		(72)	2,742
Hedging derivatives	9,732	1,813	45			3		(490)	11,103
TOTAL FINANCIAL LIABILITIES	**11,967**	**1,906**	**434**	**0**	**0**	**102**	**0**	**(562)**	**13,846**

(1) Other movements include exchange differences for companies in euros and translation differences for companies in foreign currencies. On the assets side, they amount to EUR -127 million recognized in the income statement and EUR - 1 million recognized in Gains and losses recognized directly in equity. On the liabilities side, they amount to EUR -534 million recognized in the income statement and EUR -28 million recognized in Gains and losses recognized directly in equity.
They also include transfers of assets from amortized cost to Fair value through profit or loss and Fair value through equity under the RDP (Remedial Deleveraging Plan).

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 Crédit Local 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 31th December 2020. 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 table 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) 2019					
Financial instruments	Non observable inputs	Alternative assumptions: Worst case	Alternative assumptions: Best case	Impacts on Fair value measurement: Worst case (M€)	Impacts on Fair value measurement: Best case (M€)
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

(in EUR million) 2020					
Financial instruments	Non observable inputs	Alternative assumptions: Worst case	Alternative assumptions: Best case	Impacts on Fair value measurement: Worst case (M€)	Impacts on Fair value measurement: Best case (M€)
Bonds	Credit spread	+/- one standard deviation		(2.1)	2.1
Loans	Credit spread	580 bps	50 bps	(354.7)	180.4
CDS	Credit spread	+/- one standard deviation		(17.9)	11.6
Derivatives	Interest Rate	+/- one standard deviation		(10.4)	10.4
	Spread of CBS	+/- one standard deviation		(4.9)	4.9
	Inflation	+/- one standard deviation		(0.1)	0.1
Total				(390.2)	209.6

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 -2.1 million (reflecting a deterioration in the above mentioned inputs) to EUR +2.1 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 +11.6 million in the favorable scenario.

For the loans classified in level 3, the alternative assumptions involve using the minimum and maximum spreads observed when valting similar assets by Dexia Crédit Local. The impact of those alternative assumptions is estimated to be EUR -354.7 million for the worst case scenario to EUR +180.4 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 Crédit Local 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 to range between EUR –15.5 million for the worst case scenario and EUR +15.5 million for the best case scenario.

g. Difference between transaction princes and modelled values (deferred day one profit)

No amount was booked as deferred DOP (Day One Profit).

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 Crédit Local Group uses both the standard and the advanced approach to calculate its own 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 Crédit Local 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 Crédit Local Group has decided to exclude from the scope of this report the other assets, mainly accruals and other assets.

As at 31 December 2020, the credit risk exposure amounts to EUR 82 billion.

a. Concentration by credit risk

Concentration by geographic region

(in EUR million)	31/12/2019	31/12/2020
France	17,729	20,962
Italy	19,414	18,585
Great Britain	21,404	20,648
Germany	1,058	657
United States	8,866	4,628
Spain	5,373	4,610
Japon	3,794	3,073
Portugal	4,050	3,673
Other European countries (2)	986	1,922
Canada	1,182	601
Central and Eastern Europe (3)	905	857
Switzerland	146	95
South and Central America	164	37
Scandinavian countries	81	92
Southeast Asia	121	6
Other (1)	1,704	1,525
TOTAL	**86,976**	**81,972**

(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)	31/12/2019	31/12/2020
Central governments	25,157	27,900
Local public sector (1)	37,795	33,237
Financial institutions	6,859	6,227
Corporates	5,273	5,558
Monoline	1,333	1,317
ABS/MBS	1,366	1,278
Project finance	9,194	6,456
TOTAL	**86,976**	**81,972**

(1) 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 3,580 million on Spain and as at 31/12/2020, this category includes: EUR 0 million on Hungary, 8,275 million on Italy, EUR 553 million on Portugal and EUR 3,055 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	31/12/2019											
	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
(in EUR million)	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	10,478	54		13,896	469			117				
Local public sector	7,077	853		15,647	5,881	39	142	4,504	121	10	98	2
Financial institutions	273			3,042	125		1					
Corporates				4,982	25	4		24	4			
Monolines				1,068	223	42						
ABS/MBS	1,260			1			40	16		35	11	
Project finance	21	11		5,499	568		61	1,178	332			

(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	31/12/2020											
	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
(in EUR million)	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	13,286	32		13,839	446			113				
Local public sector	4,436	670	2	15,407	5,004	34	69	4,360	161	6	10	1
Financial institutions	104			2,408	107		2			1		
Corporates				4,506	689	12		25	4			
Monolines				840	442	35						
ABS/MBS	1,178			1			96					
Project finance	18			1,855	1,421		65	843	257			

(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.

Purchased or originated credit impaired debt instruments

	31/12/2019		31/12/2020	
(in EUR million)	AAA to AA-	Non investment grade	AAA to AA-	Non investment grade
Central governments			40	
Local public sector	22	60	20	17

b. Maximum credit risk exposure (EAD) by class of financial instruments

	31/12/2019			31/12/2020		
(in EUR million)	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	3,017		3,017	3,537		3,537
Trading derivatives	5,822	2,804	3,018	5,540	2,656	2,884
Hedging derivatives	746	164	582	594	144	451
Financial assets at Fair value through OCI (excluding variable income securities)	2,811		2,811	3,397	35	3,362
Financial assets at amortised cost	75,952	1,108	74,844	69,148	102	69,046
Loans commitments granted	437		437	236		236
Guarantee commitments granted(1)	11,999	9,732	2,267	8,683	6,226	2,457
TOTAL	**100,785**	**13,808**	**86,976**	**91,135**	**9,163**	**81,972**

(1) Collateral is mainly composed of assets pledged as collateral under repurchase agreements.

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 2020.

Only financial collaterals eligible under Basel 2 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.

The forborne outstandings increased from EUR 333 million in 2019 to EUR 421 million in 2020 due to the increase in forbearance measures granted in 2020, particularly in the context of the health crisis. This increase is the result of the strict application of forbearance regulations and related to specific counterparties with structural financial difficulties.

d. Collateral and other credit enhancements obtained by taking possession of collateral during the period

There are no assets of this type in 2019 or 2020.

e. Reconciliation of loss allowance amount variation

(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**	**0**	**0**		**0**	**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]	**291**	**(4)**	**(17)**	**(138)**	**0**	**130**
Financial assets at amortised cost	**280**	**(4)**	**(17)**	**(109)**	**(30)**	**120**
- Customer debt securities	93			(88)	(2)	3
- Customer loans and advances	186	(4)	(17)	(20)	(27)	117
Financial assets at Fair value through other comprehensive income	**1**			**(30)**	**29**	**0**
- Debt security	0			(1)		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**	**0**	**0**	**(1)**	**0**	**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)**	**301**
Provisions on commitments and financial guarantees given						
Total provisions on commitments and financial guarantees given (Stage 2)	2					2
Total provisions on commitments and financial guarantees given (Stage 3)	6					6
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**9**	**0**	**0**	**0**	**0**	**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 the Chicago Board of Education.
(3) These amounts are reported in the income statement.
(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 Crédit 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 write-offs directly recognised in profit or loss.

(in EUR million)	2020 As at 1 Jan.	Transfers between stages[2]	Decreases due to derecognition	Changes due to change in credit risk[2]	Other adjustments[3]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**5**	**(1)**	**0**	**18**	**(1)**	**21**
Financial assets at amortised cost	**5**	**(1)**		**18**	**(1)**	**20**
- Interbank debt securities	0			1		1
- Customer debt securities	4	(1)		15	(1)	17
- Customer loans and advances	1			1	(1)	1
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)[1]	**159**	**42**	**(11)**	**118**	**(11)**	**296**
Financial assets at amortised cost	**147**	**37**	**(3)**	**123**	**(21)**	**283**
- Interbank debt securities	19			56	(3)	72
- Customer debt securities	31	33		18	(1)	81
- Interbank loans and advances	2			12		14
- Customer loans and advances	95	4	(3)	37	(17)	117
Financial assets at Fair value through other comprehensive income	**12**	**5**	**(9)**	**(5)**	**10**	**13**
- Debt securities	9		(9)			0
- Customer loans and advances	3	5		(5)	10	13
Allowances for credit-impaired debt instruments (Stage 3)[2]	**130**	**(3)**	**(4)**	**(4)**	**(3)**	**117**
Financial assets at amortised cost	**120**			**2**	**(15)**	**106**
- Customer debt securities	3			(1)		2
- Customer loans and advances	117			2	(15)	103
Financial assets at Fair value through other comprehensive income	**0**	**(3)**		**(2)**	**12**	**7**
- Customer loans and advances	0	(3)		(2)	12	7
Other accounts receivable	**11**		**(4)**	**(3)**		**4**
Allowances for purchased or originated credit impaired debt instruments	**6**	**0**	**0**	**3**	**0**	**9**
Financial assets at amortised cost	**6**			**3**		**9**
- Customer loans and advances	6			3		9
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**301**	**38**	**(16)**	**135**	**(14)**	**444**
Provisions on commitments and financial guarantees given						
Total provisions on commitments and financial guarantees given (Stage 2)	2	1				3
Total provisions on commitments and financial guarantees given (Stage 3)	6			2		8
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**8**	**1**	**0**	**2**	**0**	**11**

(1) In 2020, impairments on financial instruments in phase 2 increased mainly due to the Covid-19 crisis, with the recording of EUR 96 million of provisions related to changes in macroeconomic scenarios and the review of sensitive sectors. In addition, a EUR 51 million provision was booked on a Tunisian counterpart to take into account the risks linked to Covid-19 and the downgrading of the Tunisian sovereign.

(2) The total of the "Transfers" column represents the amount transferred to income following the review of provisions at the time of the change of stage.

(3) Includes exchange differences, as well as the impacts of the reclassification of a portfolio of financial assets of the Remedial Deleveraging Plan of EUR 6.4 billion from the Amortized cost category to the Fair value through other comprehensive income category (EUR 3 billion), and to the Fair value through profit or loss category (EUR 3.4 billion). In the first case, the total impact is nil: impairments are reclassified from the portfolio at Amortized cost portfolio to the portfolio at Fair value through other comprehensive income. In the second case, the total impact is a decrease of impairments of EUR 7 million on customer loans (outstandings reclassified from EUR 3 billion).

In 2020, there were no recoveries directly recognised in profit or loss nor write-offs directly recognised in profit or loss.

f. Purchased or originated credit impaired assets

(in EUR million)	Undiscounted expected credit losses at initial recognition recognised during the period 2019	2020
Financial assets at amortised cost	(13)	(13)

g. Reconciliation of gross carrying variation

(in EUR million)	2019 As at 1 Jan.	Transfers between Stage 1 et Stage 2: To stage 2 from stage 1	Transfers between Stage 1 et Stage 2: To stage 1 from stage 2	Transfers between Stage 2 et Stage 3: To stage 3 from stage 2	Transfers between Stage 2 et Stage 3: To stage 2 from stage 3	Transfers between Stage 1 et Stage 3: To stage 3 from stage 1	Transfers between Stage 1 et Stage 3: To stage 1 from stage 3	Other variations	As at 31 Dec.
Amortised cost	**104,537**							**(13,410)**	**91,127**
- Debt securities [1]	45,466							(9,397)	36,069
** stage 1*	*33,173*	*(15)*	*3,436*					*(5,468)*	*31,125*
** stage 2*	*11,838*	*15*	*(3,436)*					*(3,518)*	*4,899*
** stage 3*	*455*							*(410)*	*45*
- Interbank loans and advances	23,660							(593)	23,068
** stage 1*	*23,462*	*(5)*						*(491)*	*22,966*
** stage 2*	*199*	*5*						*(102)*	*102*
- Customer loans and advances [2]	35,410							(3,420)	31,990
** stage 1*	*27,695*	*(1,935)*	*430*				*3*	*(2,528)*	*23,665*
** stage 2*	*6,917*	*1,935*	*(430)*		*7*			*(640)*	*7,789*
** stage 3*	*798*				*(7)*		*(3)*	*(252)*	*536*
FVOCI	**4,827**							**(2,017)**	**2,810**
- Debt securities [3]	4,089							(2,432)	1,657
** stage 1*	*3,418*							*(1,925)*	*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**							**0**	**82**
** stage 1*	*70*							*(1)*	*69*
** stage 2*	*1*							*1*	*2*
** stage 3*	*10*							*1*	*11*

(1) Decrease of EUR -9.40 billion, mainly due to the reclassification of a EUR 5.77 billion portfolio of securities at Amortized cost of the Dexia Crédit 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 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 Crédit 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 -2.43 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.

(in EUR million)	2020 As at 1 Jan.	Transfers between Stage 1 et Stage 2 To stage 2 from stage 1	 To stage 1 from stage 2	Transfers between Stage 2 et Stage 3 To stage 3 from stage 2	 To stage 2 from stage 3	Transfers between Stage 1 et Stage 3 To stage 3 from stage 1	 To stage 1 from stage 3	Other variations	As at 31 Dec.
Amortised cost	**91,127**							**(5,240)**	**85,887**
- Debt securities [1]	36,069							1,179	37,249
** stage 1*	*31,125*	*(1,959)*	*3,100*					*(1,748)*	*30,518*
** stage 2*	*4,899*	*1,959*	*(3,100)*					*2,935*	*6,693*
** stage 3*	*45*							*(7)*	*37*
- Interbank loans and advances [2]	23,068							(1,556)	21,512
** stage 1*	*22,966*	*(3)*						*(1,542)*	*21,421*
** stage 2*	*102*	*3*						*(14)*	*91*
- Customer loans and advances [3]	31,990							(4,864)	27,126
** stage 1*	*23,665*	*(777)*	*406*			*(1)*	*3*	*(2,636)*	*20,660*
** stage 2*	*7,789*	*777*	*(406)*	*(47)*	*18*			*(2,128)*	*6,004*
** stage 3*	*536*			*47*	*(18)*	*1*	*(3)*	*(101)*	*462*
FVOCI	**2,810**							**544**	**3,355**
- Debt securities [4]	1,657							(592)	1,065
** stage 1*	*1,493*							*(452)*	*1,041*
** stage 2*	*163*							*(140)*	*23*
- Interbank loans and advances	0							35	35
** stage 1*	*0*							*35*	*35*
- Customer loans and advances [5]	1,154							1,101	2,255
** stage 1*	*826*	*(539)*	*65*			*(2)*		*680*	*1,030*
** stage 2*	*325*	*539*	*(65)*	*(3)*	*3*			*387*	*1,188*
** stage 3*	*2*			*3*	*(3)*	*2*		*34*	*38*
Other accounts receivable	**82**							**14**	**96**
** stage 1*	*69*							*23*	*92*
** stage 2*	*2*							*(2)*	*0*
** stage 3*	*11*							*(7)*	*4*

(1) Increase of EUR +1.14 billion, due in particular to the purchase of OATs for EUR 0.67 billion and to the impact of the evolution of interest rates on Fair value hedges for EUR 0.55 billion. These favorable effects are partly offset by the reclassification of a portfolio of securities at Amortized cost of the Remedial Deleveraging Plan of EUR 0.81 billion to the portfolio at Fair value through other comprehensive income (EUR 0.38 billion) and to the portfolio at Fair value through profit or loss (EUR 0.43 billion).
(2) Decrease of EUR -1.57 billion, mainly due to the decrease of cash collateral paid by EUR 0.6 billion and the decrease of reverse repo by EUR 0.78 billion.
(3) Decrease of EUR -4.87 billion, mainly due to the reclassification of a loan portfolio at Amortized cost of the Remedial Deleveraging Plan of EUR 5.57 billion to the portfolio at Fair value through other comprehensive income (EUR 2.63 billion) and to the portfolio at Fair value through profit or loss (EUR 2.94 billion). The effect of this reclassification is partly offset by the increase in cash collateral paid by EUR 1.42 billion.
(4) Decrease of EUR -0.59 billion, mainly due to sales made in the framework of the proactive deleveraging strategy for EUR 0.58 billion, the effect of the reclassification as of January 1, 2020 of EUR 0.38 billion of securities at Amortized cost to the category Fair value through other comprehensive income as part of the Remedial Deleveraging Plan will be neutral as of December 31, 2020, given the sale of almost all of this portfolio during the year.
(5) Increase of EUR +1.1 billion, mainly due to the loans reclassified as of January 1, 2020 from Amortized cost to Fair value through other comprehensive income under the Remedial Deleveraging Plan which are not sold as of December 31, 2020 (EUR 1.9 billion).

The transfers are those as at 31 December 2020.

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

The impact of the modification is not significant.

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)	31/12/2019 Fair values of collateral held	 Fair value of collateral sold or repledged	31/12/2020 Fair values of collateral held	 Fair value of collateral sold or repledged
Debt securities	1,463	1,463	955	955
TOTAL	**1,463**	**1,463**	**955**	**955**

Collateral is obtained in connection with the repurchase agreement activities.

b. Financial assets pledged as collateral for liabilities or contingent liabilities

(in EUR million)	31/12/2019	31/12/2020
Carrying amount of financial assets pledged as collateral for liabilities	55,217	53,852

The amount of EUR 54 billion in 2020 an of EUR 55 billion in 2019 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.
These amounts do not include the amount of the Guaranteed Investment Contracts (GICs) (EUR 1,245 million for 2020 and EUR 1,523 million for 2019).

7.4. Sensitivity to interest rate risk and other market risks

a. 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 Dexia trading portfolio consists of two groups of activities:

- 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 main risk factors of the trading portfolio are:
- the interest rate risk, in particular on the euro zone and 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 2020, total consumption in VaR was EUR 1.1 million against EUR 1 million at the end of 2019.

Value at Risk of trading portfolio

(in EUR million) **VaR (10 days, 99%)**	2019	2020
Average	1.4	1. 5
End of period	1.0	1.1
Maximum	2.9	20.3
Minimum	0.8	1.0

Sensitivity to the evolution of credit margins of banking portfolios classified at Fair value

On 19 July 2019, the Board of Directors approved the implementation of a new asset disposal programme. In accordance with IFRS 9, this change in management intent has resulted in a change in business model and therefore in the reclassification of the assets concerned as at 1 January 2020. The assets concerned, which had been classified at amortised cost when IFRS 9 was first applied, have been reclassified at Fair value through profit or loss or equity, which has increased the Group's sensitivity to changes in the Fair value of the assets concerned until they are disposed of. However, the credit risk sensitivity of assets classified at Fair value has decreased during 2020 as a result of asset sales and natural amortisation.
Indeed, the portfolio classified at Fair value through equity has a sensitivity to an increase in credit spreads of EUR -2.2 million as at 31 December 2020 against EUR -2.9 million in January 2020. The portfolio classified at Fair value through profit or loss has a sensitivity to an increase in credit spreads of EUR -2.1 million at 31 December 2020 compared to EUR -3.4 million in January 2020. Of these assets classified at Fair value by result, those not meeting the SPPI criterion have a stable sensitivity over 2020 at EUR -1 million per basis point.

b. Transformation risk

Dexia's Asset and Liability Management (ALM) policy aims to reduce liquidity risk as much as possible and to limit exposure to interest rate and exchange rate risk.
The actions taken by Dexia in 2020 to reduce the sensitivity of its balance sheet and its results to interest rate and exchange rate parameters are detailed in the "Highlights" chapter of this Annual Report.

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% 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.
The sensitivity of long-term ALM was EUR -14.3 million as at 31 December 2020, against EUR -27.7 million as at 31 December 2019. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2019	2020
Sensitivity	(27.7)	(14.3)
Limit	+/-80	+/-130

7.5 Liquidity risk

A. Analysis by term to maturity

A large part of the balance sheet constits 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

	31/12/2019									
(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	9,210									9,211
Financial assets at Fair value through profit or loss		97	179	732	1,613	16	788	10,823		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	257	2,066		15	69	(12)	2,837
Financial assets at amortized cost – Debt securities	1	122	663	2,558	22,338		265	10,122	(57)	36,012
Financial assets at amortised cost – Interbank loans and advances (1)	778	501	597	542	40	20,604	(7)	11	(2)	23,066
Financial assets at amortised cost – Customer loans and advances (1)		1,081	1,101	4,178	15,150	4,868	108	5,505	(220)	31,771
Fair value revaluation of portfolio hedge								576		576
Accruals and other assets	0	147				19			(11)	155
Subtotal financial assets used to calculate the gap	*9,990*	*2,312*	*2,617*	*8,267*	*41,207*	*25,506*				
Non-financial assets						111				111
TOTAL	**9,990**	**2,312**	**2,617**	**8,267**	**41,207**	**25,617**	**1,403**	**28,250**	**(301)**	**119,364**

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

b. Analysis of liabilities excluding shareholders' equity

	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	Accrued interest	Fair value adjustment	Total
Financial liabilities at Fair value through profit and loss		3		36	805		661	13,274	14,779
of which Trading derivatives							*653*	*12,981*	*13,634*
Hedging derivatives							296	18,888	19,184
Financial liabilities at amortised cost – Interbank borrowings and deposits (1)	77	1,489	3,225	2,023	1,637	3,501	29	21	12,003
Financial liabilities at amortised cost - Customer borrowings and deposits (1)	230	2,671	572		233	145	(1)		3,851
Debt Securities		12,085	12,445	30,047	6,979		329	843	62,728
Fair value revaluation of portfolio hedge								7	7
Subordinated debts					20				20
Accruals and other liabilities	1	272	14	10	28				325
Subtotal financial liabilities used to calculate the gap	*308*	*16,521*	*16,256*	*32,118*	*9,703*	*3,646*			
Non-financial liabilities						152			152
TOTAL	**308**	**16,521**	**16,256**	**32,118**	**9,703**	**3,798**	**1,314**	**33,034**	**113,050**

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

c. 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	**9,682**	**(14,208)**	**(13,639)**	**(23,850)**	**31,504**	**21,860**

This table does not take into account the liquidity of the asset or its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of liquidity requirements.

	31/12/2020									
(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	9,866									9,866
Financial assets at Fair value through profit or loss		101	239	1,104	1,805	1	613	9,086		12,950
of which Trading derivatives							*589*	*8,822*		*9,411*
Hedging derivatives							231	1,033		1,263
Financial assets at Fair value through OCI		383	169	671	2,102		13	51	(21)	3,369
Financial assets at amortised cost - Debt securities	1	129	664	1,596	23,870		267	10,722	(174)	37,075
Financial assets at amortised cost - Interbank loans and advances (1)	684	470	293	61		20,002	(5)	8	(14)	21,498
Financial assets at amortised cost - Customer loans and advances		602	700	2,566	10,502	6,287	66	6,402	(231)	26,895
Fair value revaluation of portfolio hedge								426		426
Accruals and other assets	1	88				13			(4)	98
Subtotal financial assets used to calculate the gap	*10,552*	*1,773*	*2,065*	*5,997*	*38,280*	*26,304*				
Non-financial assets						83				83
TOTAL	**10,552**	**1,773**	**2,065**	**5,997**	**38,280**	**26,387**	**1,184**	**27,729**	**(444)**	**113,523**

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

b. Analysis of liabilities excluding shareholders' equity

	31/12/2020								
(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	Total
Financial liabilities at Fair value through profit and loss		1		53	548		543	11,381	12,525
of which Trading derivatives							*539*	*11,108*	*11,648*
Hedging derivatives							261	20,287	20,548
Financial liabilities at amortised cost - Interbank borrowings and deposits (1)		3,832	551	976	1,216	3,443	5	26	10,050
Financial liabilities at amortised cost - Customer borrowings and deposits (1)	216	6,310			253	48	(3)		6,824
Financial liabilities at amortised cost - Debt securities		11,234	11,396	28,867	4,563		248	1,053	57,360
Fair value revaluation of portfolio hedge								5	5
Subordinated debts					19				19
Accruals and other liabilities	1	310	14	8	24	2			360
Subtotal financial liabilities used to calculate the gap	*217*	*21,687*	*11,961*	*29,905*	*6,623*	*3,493*			
Non-financial liabilities						140			140
TOTAL	**217**	**21,687**	**11,961**	**29,905**	**6,623**	**3,633**	**1,053**	**32,751**	**107,831**

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

c. Net liquidity gap as at 31/12/2020

(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 31/12/2020	**10,335**	**(19,913)**	**(9,897)**	**(23,908)**	**31,656**	**22,811**

This table does not take into account the liquidity of the asset or its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of liquidity requirements.

B. Steps taken to improve Dexia Crédit Local Group's liquidity

Steps taken to improve Dexia Crédit Local Group's liquidity are described in the Management Report, chapter "Information on capital and liquidity".

7.6. Currency risk

We also refer to Management Report, chapter Risk Management.

At Dexia exposure, the FX risk exposure is created by:
– Investments and divestments in other than the euro subsidiaries and branches
– Retained earnings from other than the euro entities
– Mismatches between assets, liabilities and off-balance sheet items denominated in other than the euro currencies.
A large part of balance sheet items denominated in other than the euro currencies are micro-hedged at inception with cross-currency swaps. The residual FX position is monitored by measuring the adverse change in P&L associated to a FX rate move.
Current management of the FX risk focuses on the risk arising from the conversion of cumulated P&L and net interest margin in foreign currency. The general principle of ALM is to hedge a FX economic risk as soon as it is known. Under the current risk framework, the limits on local FX positions are below a EUR 1 milion equivalent on every currency. Besides, there is no directional FX position in the trading book.

Even if economic FX positions are close to zero, capital ratios remain sensitive to FX rate evolution. In particular, a large part of the group RWA are linked to other than the euro denominated assets (GBP 41%, USD 11%, JPY 8%). Thus, if the EUR depreciates against other currencies, the RWA of other than the euro assets will weigh more in relative shares against the group capital. For illustration, a drop of 1% of the EUR against other currencies would induce an increase of the capital charge by EUR 14 million, without any economic impact.

Classification by original currency	31/12/2019					
(in EUR million)	EUR	GBP	USD	JPY	Other currencies	Total
Total assets	62,667	24,041	29,186	2,180	1,291	119,364
Total liabilities and shareholders' equity	62,555	24,063	29,041	2,516	1,188	119,364
NET BALANCE SHEET POSITION	**111**	**(22)**	**144**	**(336)**	**103**	**0**

Classification by original currency	31/12/2020					
(in EUR million)	EUR	GBP	USD	JPY	Other currencies	Total
Total assets	63,872	25,998	20,366	2,131	1,155	113,523
Total liabilities and shareholders' equity	64,233	25,898	20,460	2,088	842	113,523
NET BALANCE SHEET POSITION	**(361)**	**99**	**(94)**	**43**	**313**	**(0)**

7.7. Hedge accounting

Derivatives Held for Risk Management and Hedge Accounting

Dexia Crédit Local 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 Crédit Local 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 Crédit Local 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 Crédit Local using cross currency swaps documented as Cash Flow Hedges (CFH) of foreign currency risk.
Moreover, some Fair value Through Profit or Loss (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 or financial assets held with an objective of realising cash flows through the sale of these assets. 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 Crédit Local 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 Crédit Local 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 Crédit Local. 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 recognized 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 Crédit Local 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 other than the euro floating rate cash flows into EUR floating rate cash flows by the use of cross-currency swaps, so as to mitigate the existing Dexia Crédit Local's foreign currency exposure,

- Or to transform EUR floating rate cash flows into EUR fixed rate cash flows. Dexia Crédit Local 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 Crédit Local demonstrates the highly probable nature of forecast cash flows.

(iii) Macro-hedging of Interest Rate Risk through European Portfolio Hedge (EPH)

Dexia Crédit Local 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 Crédit Local as qualifying hedged items. Only vanilla interest rate swaps are used as hedging instruments.

Dexia Crédit Local 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 Crédit Local 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 1.1.27 Accounting estimates and judgments and 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 2020.

As at 31 December 2020, the notional amounts of hedging instruments on which uncertainties related to the interest rate reform persist amount to EUR 64.588 million.

a. Hedging derivatives by risk category for each type of hedge

1. Detail of derivatives designated as Fair value hedges

	31/12/2019				31/12/2020			
	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	**60,211**	**974**	**15,106**	**(109)**	**57,737**	**1,019**	**16,563**	**(2,312)**
OTC options	22		3	1	11		2	1
OTC other	60,189	974	15,103	(110)	57,726	1,019	16,561	(2,313)
Rate and foreign exchange derivatives(*)	**6,058**	**223**	**2,739**	**0**	**5,529**	**122**	**2,780**	**3**
OTC other	6,058	223	2,739	0	5,529	122	2,780	3
TOTAL	**66,269**	**1,197**	**17,845**	**(109)**	**63,266**	**1,141**	**19,343**	**(2,309)**

(*) 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

	31/12/2019				31/12/2020			
	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	**877**	**13**	**217**	**128**	**836**	**11**	**226**	**(11)**
OTC other	877	13	217	128	836	11	226	(11)
Foreign exchange derivatives(*)	**1,022**	**94**	**346**	**17**	**1,190**	**65**	**408**	**58**
OTC other	1,022	94	346	17	1,190	65	408	58
TOTAL	**1,899**	**107**	**563**	**145**	**2,026**	**76**	**634**	**47**

(*) 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 derivatives designated as Fair value hedges".

(in EUR million)	31/12/2019	31/12/2020
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

	31/12/2019			31/12/2020		
	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	**5,635**	**75**	**776**	**5,476**	**46**	**571**
TOTAL	**5,635**	**75**	**776**	**5,476**	**46**	**571**

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

(in EUR million)	31/12/2019 Carrying amount of the hedged item	31/12/2019 Accumulated amount of hedge adjustments included in the carrying amount of assets/ liabilities	31/12/2019 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2020 Carrying amount of the hedged item	31/12/2020 Accumulated amount of hedge adjustments included in the carrying amount of assets/ liabilities	31/12/2020 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness
Financial assets at Fair value through OCI	1,164	137	(353)	1,001	125	21
Interest rate risk	*1,164*	*137*	*-353*	*1,001*	*125*	*21*
Financial assets at amortised cost - Debt securities	30,492	10,122	(206)	30,879	10,722	1,338
Interest rate risk	*30,473*	*10,119*	*(207)*	*30,879*	*10,722*	*1,338*
Foreign exchange risk	*19*	*3*	*1*			
Financial assets at amortised cost - Interbank loans and advances	95	11	(2)	68	8	(2)
Interest rate risk	*95*	*11*	*(2)*	*68*	*8*	*(2)*
Financial assets at amortised cost - Customer loans and advances	12,856	5,505	753	12,950	6,403	1,291
Interest rate risk	*12,856*	*5,505*	*753*	*12,950*	*6,403*	*1,291*
Interbank borrowings and deposits	233	21	(139)	218	26	4
Interest rate risk	*233*	*21*	*(139)*	*218*	*26*	*4*
Debt securities	42,166	843	441	41,213	1,053	278
Interest rate risk	*42,166*	*843*	*441*	*41,213*	*1,053*	*278*
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**2,208**	**14,911**	**(110)**	**3,466**	**16,179**	**2,365**

2. Cash flow hedges

(in EUR million)	31/12/2019 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2019 Cash flow hedge reserve	31/12/2019 Cash flow hedge reserve for discontinued hedges	31/12/2020 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2020 Cash flow hedge reserve	31/12/2020 Cash flow hedge reserve for discontinued hedges
Financial assets at Fair value through OCI	(15)	12	4	4	7	
Foreign exchange risk	*(15)*	*12*	*4*	*4*	*7*	
Financial assets at amortised cost - Debt securities	39	(179)		(44)	(135)	
Foreign exchange risk	*39*	*(179)*		*(44)*	*(135)*	
Financial assets at amortised cost - Customer loans and advances	(49)	(65)		(21)	(44)	
Interest rate risk	*4*	*54*		*(2)*	*55*	
Foreign exchange risk	*(53)*	*(119)*		*(20)*	*(99)*	
Interbank borrowings and deposits	(47)	(198)	41	(14)	(212)	(43)
Interest rate risk	*(37)*	*(208)*	*41*	*(9)*	*(217)*	*(43)*
Foreign exchange risk	*(10)*	*10*		*(5)*	*5*	
Customer borrowings and deposits	169					
Interest rate risk	*169*					
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**(147)**			**(47)**		
TOTAL		**(429)**	**45**		**(383)**	**(43)**

3. Net investment hedge

Nil.

4. Portfolio Fair value hedge of interest rate risk

	31/12/2019	31/12/2020
(in EUR million)	Carrying amount of the hedged item	Carrying amount of the hedged item
Financial assets at Fair value through OCI	178	432
Financial assets at amortised cost - Customer loans and advances	4,026	4,240
Debt securities	385	290

c. Profile of timing of the nominal amount of the hedging instrument and average prices or rates

1. Derivatives designated as Fair value hedges

	31/12/2019				31/12/2020			
	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)	5,582	4,013	27,679	22,937	3,622	2,130	28,488	23,497
* Average fixed interest rate	1.19%	2.55%	1.23%	3.12%	1.06%	1.52%	1.11%	3.10%
Foreign exchange derivatives	31		2,763	3,263	1,281	8	1,231	3,009
* Average EUR-USD exchange rate			1.1603	1.2398	0.8177		1.0989	1.2068
* Average USD-JPY exchange rate	105.9996		117.6471	116.9825	117.6471			116.9825
* Average USD-GBP exchange rate				0.5599				0.5600
* Average fixed interest rate	2.50%		2.11%	3.27%	2.58%	2.79%	1.71%	3.19%

2. Derivatives designated as cash flow hedges

	31/12/2019		31/12/2020			
	Maturity		Maturity			
(in EUR million)	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)	171	706	16	110	71	638
* Average fixed interest rate	2.91%	3.82%	3.84%	1.57%	5.48%	3.70%
Foreign exchange derivatives						
* Notional amount (in EUR million)	873	149			1 054	136
* Average EUR-GBP exchange rate	0.8596					
* Average USD-GBP exchange rate		0.5079				0.5079
* Average EUR-USD exchange rate					1.0842	

d. Impact of hedge accounting in the statement of comprehensive income

1. Fair value hedges

	31/12/2019		31/12/2020	
	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 sheet	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 sheet
Interest rate risk	(220)		53	
Foreign exchange risk	1		3	
TOTAL	**(219)**		**56**	

2. Cash flow hedges

(in EUR million)	31/12/2019 Change in the value of the hedging instrument recognised in OCI – Gains and losses directly recognised in equity of the balance sheet	31/12/2019 Hedge ineffectiveness recognised in profit or loss – Net gains (losses) on financial instruments at Fair value through profit or loss of the consolidated statement of income	31/12/2019 Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge – Net gains (losses) on financial instruments at Fair value through profit or loss of the consolidated statement of income	31/12/2020 Change in the value of the hedging instrument recognised in OCI – Gains and losses directly recognised in equity of the balance sheet	31/12/2020 Hedge ineffectiveness recognised in profit or loss – Net gains (losses) on financial instruments at Fair value through profit or loss of the consolidated statement of income	31/12/2020 Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge – Net gains (losses) on financial instruments at Fair value through profit or loss of the consolidated statement of income
Interest rate risk	128			(11)		
Foreign exchange risk	17			58		
TOTAL	**145**			**47**		

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 and avoiding any systemic risk, in line with the company's mission. 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)	France	Ireland	Italy	United States	Total
As at 31 December 2019					
NET BANKING INCOME	**(129)**	**(42)**	**(96)**	**(364)**	**(631)**
As at 31 December 2020					
NET BANKING INCOME	**(92)**	**115**	**(195)**	**(2)**	**(174)**

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.

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2020

To the shareholders' meeting of Dexia Crédit Local,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the Dexia Credit Local consolidated financial statements for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the results of its operations and of the financial position of the Group as of December 31, 2020 for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The following audit opinion is consistent with our report to the Audit Committee.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Without qualifying the opinion expressed above, we draw your attention to the change in the presentation in the income statement of interest income and expense on trading derivatives measured at fair value through profit or loss as described in Note 1.1.2.6 to the consolidated financial statements.

Justification of Assessments – Key Audit Matter

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the year, as well as our responses to these risks.

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 specific items of the consolidated financial statements.

The ability to continue as a going concern used for the preparation of the financial statements *(We refer to Notes 1.1.1.2, 1.4.1, and 1.6.1 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
Dexia Credit Local'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 December 28, 2012. This plan, further reassessed by the Board of Directors of Dexia Credit Local of December 14, 2020, is based, among others, on the following assumptions: – the macro-economic assumptions underlying the business plan are revised as part of general biannual reviews, 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 a "central" macro-economic scenario based on the ECB reference scenario; – the business plan assumes that the Dexia Crédit Local banking license and the Dexia Crédit Local credit rating will be maintained at a level equivalent to or greater than Investment Grade level; – 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 Credit Local's capacity to raise secured borrowings; – the renewal of the guarantee by the Belgian and French States, as from January 1, 2022, in accordance with the approval of the European Commission, dated September 27, 2019. A law validating this extension was passed in France on December 29, 2020 and a bill, approved by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval; – finally, Dexia Crédit Local is sensitive to changes in its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads. A negative change in these parameters in the long term could weigh heavily on the Group's liquidity and solvency. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, whose changes in fair value, recognized in income or equity, may result in a change in the level of the Group's regulatory capital. 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, as mentioned in the Note 1.4.1 to the consolidated financial statements. There are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of Dexia Credit Local's operations over the duration of the resolution, such as: – conditions of access to Eurosystem facilities after 2021; – new accounting or prudential rules not yet known to Dexia Crédit Local management; -– the future organizational and legal structure of the Dexia Crédit Local Group. However, at this stage, group management believes that these uncertainties do not call into question the fundamentals of the resolution and the preparation of the consolidated financial statements on a going concern basis is appropriate in accordance with IAS 1. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption to be a key audit matter.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of Dexia Credit Local 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 implemented the following procedures prescribed by auditing standard IAS 570 "Going Concern": – through discussions with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia; – we assessed the design and implementation of the internal control process with regard to liquidity projections; – we have considered the main regulatory ratios as of December 31, 2020 (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 the Board of Directors about the latest underlying assumptions to the revised business plan, based on end of June 2020 data and validated by the Board of Directors on December 14, 2020; – we have considered the quarterly reports on the funding strategy and operational continuity, prepared by Dexia Crédit Local as requested by its supervisory authorities and the correspondence with these authorities; – Concerning the global crisis due to the Covid-19 pandemic, we have taken note of Management's assessment of its effects on the continuity of Dexia Crédit Local. Finally, we assessed the appropriateness and relevance of the disclosures on going concern in the notes to the consolidated financial statements, including the uncertainties surrounding the main assumptions underlying the preparation of the consolidated financial statements on a going concern basis.

Consequences of the roll-out of the Remedial Deleveraging Plan *(We refer to Notes 1.1.6.2.1, 1.3, and 2.13 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
The roll-out of the Remedial Deleveraging Plan was approved by the Dexia Crédit Local Board of Directors on July 19, 2019, as mentioned in Note 2.13 on the reclassification of financial assets. This decision has been analyzed, in relation to IFRS 9, as a change in business model occurring in the second half of 2019. Pursuant to IFRS 9, the change in business model led to the reclassification as of January 1, 2020 (i.e. the first day of the following reporting period) of the relevant financial asset portfolios previously recognized at amortized cost, to the categories "financial assets at fair value through equity" or "financial assets at fair value through profit or loss" depending on the business models defined by management and approved by the Board of Directors. The effect of the reclassification of this portfolio of assets from a notional of €6,375 million amounted to -€104 million on 2020 income and -€92 million on Group equity. Given the accounting impacts in the consolidated financial statements and the accounting constraints applicable to management models under IFRS accounting standards, we considered the accounting recognition of the roll-out of the Remedial Deleveraging Plan to be a key audit matter.	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 committee meetings; – reconciliation between the portfolio of assets for which governance bodies have validated a change in business model and the portfolio of assets effectively reclassified as of January 1, 2020; – 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 journal entries for the reclassification of assets according to the applicable rules adopted; – 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. Finally, we reviewed the disclosures in the notes to the consolidated financial statements on the roll-out of the Remedial Deleveraging Plan, particularly those relating to IFRS 7 "Financial Instruments: Disclosures".

Operational risks linked to the information systems *(We refer to Note 1.5 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
As a banking group, Dexia Credit Local is dependent, for its operational activities, on the reliability and security of its information systems. Its activities take 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 December 28, 2012. In this context, and in order to ensure operational continuity, Dexia Credit Local has outsourced its IT function (development, production and infrastructure) and back offices to an external service provider. Dexia Credit Local has also decided, since the 2018 financial year, to entrust the upgrade and management of the IT infrastructure to the same service provider. Due to the global crisis relating to the Covid-19 pandemic, all employees were also required to work from home to ensure business continuity. The measures adopted by the Group exposed it to new risks, particularly relating to the opening of information systems in order to secure remote access to transaction processing applications. 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 to be 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; – examining the way Dexia Credit Local 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 in a context marked by the Covid-19 health crisis and the need for the Group's employees to work from home (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; – performing detailed procedures on manual journal entries, related to write access rights, and reviewing journal entries and their documentation; – understanding the control and supervision framework currently deployed by Dexia Crédit Local related to the key services rendered by the external service provider in the context of the outsourcing; – reviewing the governance set up by the Group to guarantee the resilience of information systems in the context of the Covid-19 pandemic health crisis. Finally, we have reviewed the disclosures in the notes to the Consolidated Financial Statements on the operational risks with relation to the information systems.

<table>
<tr><th colspan="2">Assessment of credit risk and evaluation of impairment
(We refer to Notes 1.1.6.2.5, 1.4.1, 2.4 to 2.7, 3.6, 5.10 and 7.2 to the Consolidated Financial Statements)</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr>
<td>The impairment recorded by Dexia Credit Local to cover the credit risks inherent in its banking activities is determined in accordance with the provisions of IFRS 9, and therefore the principle of expected credit losses.
The evaluation of the expected credit losses related to the financial assets requires the use of judgment by management, particularly in the context of uncertainty surrounding the global crisis due to the Covid-19 pandemic, 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;
– 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, in a climate of uncertainty, 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;
– identifying sensitive sectors impacted by the global crisis due to the Covid-19 pandemic and assessing the impact of the crisis on credit risk assessment for the relevant counterparties.

As of December 31, 2020, the gross amount of financial assets exposed to credit risk was €89,337 million; total impairment amounted to €442 million and the cost of risk for Dexia Credit Local in 2020 was a net charge of €169 million.
As the classification of exposures in the different credit risk stages and the determination of expected losses require management's judgment and estimates in a context marked by the Covid-19 health crisis, we considered the assessment of the level of credit risk to be a key audit matter.</td>
<td>We have assessed the design and implementation of Dexia Credit Local 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 the evaluation of expected losses.
Our procedures included, among others, the following processes:
– Governance:
• we have taken note of the internal control system governing the definition and validation of the impairment models and the parameters used to calculate this impairment, and of the work and conclusions of the risk management department concerning the internal validation of the IFRS 9 impairment models;
• we focused in particular on management’s assessment of the impacts of the health crisis on provisions for outstanding loans.
– Classification of exposures per stage:
• we have checked the appropriate classification of outstanding amounts by stage;
• we analyzed the Group’s assessment of the impacts of the health crisis on asset classification, particularly the set-up of a collective provision for sensitive exposures to the Covid-19 health crisis;
• with the assistance of our specialists in charge of the credit risk, we have validated the Dexia Credit Local retained methodologies for the measurement of the increase in credit risk and its correct operational implementation in the information systems.
– Evaluation of expected losses:
• we assessed the methodologies adopted to determine the parameters used for the impairment calculation and their changes in the context of the crisis, their correct operational implementation in the information systems and the effectiveness of the key controls regarding data quality;
• for the specific impairment on financial assets classified in stage 3, we have assessed, based on samplings, the management assumptions and data used for to estimate impairment.
• we also assessed the reasonableness and appropriateness of the macro-economic projections made by management, the definition of various scenarios and the weighting levels adopted by the Group.

Finally, we reviewed the disclosures in the notes to the consolidated financial statements, particularly the qualitative and quantitative items relating to the impacts of the global crisis due to the Covid-19 pandemic on credit risk assessment.</td>
</tr>
</table>

Valuation of the financial instruments classified in level 3 in the Fair value hierarchy *(We refer to Notes 1.1.7, 2.3, 2.4, 3.1, 4.1, 5.3, 5.4, 7.1 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
In conducting its market activities, Dexia Crédit Local holds financial instruments as assets and liabilities classified in level 3 in the fair value hierarchy. These instruments are recorded at fair market value estimated by valuation models, for which the parameters are either unobservable nor can be corroborated directly with publicly available market data. The fair value calculated may be subject to additional value adjustments to take into account certain market, liquidity and counterparty risks, including 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 Crédit Local; – Funding Value Adjustment (FVA): takes into account the financing costs for the non-collateralized derivatives; – and the use of a discounting curve based on a daily rate curve (OIS). The techniques used by Dexia Credit Local to carry out the valuation of financial instruments, as well as the determination of additional value adjustments, involve a significant part of the judgment as to the methodologies defined, the choice of valuation parameters and adjustments to fair value, as well as in the selection and use of internal valuation models. These financial instruments classified at level 3 in the fair value hierarchy, described in Note 7.1, represent €16,681 million in assets (16.2% of financial assets measured at fair value) and €33,307 million in liabilities (30.8% of liabilities measured at fair value) on the consolidated balance sheet at December 31, 2020. Due to the substantial outstanding amounts, the material judgement used to determine the market value and the volatility generated by the impact of the crisis on financial markets, 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 Credit Local in the context of the valuation of financial instruments classified in level 3, in particular those relating to: – The governance set up by the risk department to validate and verify valuation models; – The independent verification of valuation parameters: we notably analyzed the relevance of the data sources used and we assessed the respect of the hierarchy of these sources; – The determination of fair value adjustments: we notably analyzed the relevance of the methodologies implemented, carried out an analytical review of the impacts, examined the reconciliation with the accounting data and assessed the amount of recognized reserves. We relied on our valuation experts to proceed, based on samples, with: – The review of the substantial reserves recognized for the uncertainty surrounding the valuation models; – Analysis of the relevance of the valuation parameters used; – The independent valuation review using our own models. We have examined the system for calculating and exchanging collateral on derivative instruments and have analyzed the main calculation differences with the counterparties for these instruments in order to confirm our assessment of the reliability of the valuations of Dexia Credit Local. Furthermore, we verified that there were no material changes in the financial instrument classification criteria adopted by the Group for the fair value levels as defined by IFRS 13. Finally, we reviewed the disclosures in the notes to the consolidated financial statements relating to the valuation of financial instruments with regard to the requirements of IFRS 13.

Specific verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of the Board of Directors dated March 25, 2021. We have no matters to report regarding the fair presentation and the consistency with the consolidated financial statements.

Other Legal and Regulatory Verification or Information

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

Pursuant to paragraph III of Article 222-3 of the AMF General Regulations, the Company's Management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) with this format.

Appointment of the statutory auditors

We were appointed statutory auditors of Dexia Credit Local by the Shareholders' Meeting of May 16, 2008 for Deloitte & Associés and June 28, 1996 for Mazars.
As of December 31, 2020, Deloitte & Associés was in its 13th year of uninterrupted engagement and Mazars in its 25th year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is in charge of the financial reporting process and monitoring the effectiveness of the internal control and risk management systems and, where applicable, the internal audit with respect to concerns procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and Audit Approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards 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 financial statements.
As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.
As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:
- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains 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 internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris la Défense, April 14, 2021

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS
Laurence KARAGULIAN	Virginie CHAUVIN	Jean-Vincent COUSTEL

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Financial statements

Balance sheet

Assets

(in EUR million)		Note	As at 31/12/2019	As at 31/12/2020
I.	Cash, central banks and postal checking accounts	*2.1*	9,176	9,861
II.	Government securities	*2.2*	6,442	7,969
III.	Interbank loans and advances	*2.3*	13,020	11,623
IV.	Customer loans and advances	*2.4*	20,014	15,257
V.	Bonds and other fixed-income securities	*2.5*	14,379	12,214
VI.	Equities and other variable-income securities	*2.6*	64	6
VII.	Long-term equity investments	*2.7*	210	285
VIII.	Intangible assets	*2.8*	27	19
IX.	Tangible fixed assets	*2.9*	2	2
X.	Unpaid capital		0	0
XI.	Uncalled capital		0	0
XII.	Treasury stock		0	0
XIII.	Other assets	*2.10*	22,219	23,138
XIV.	Accruals	*2.10*	3,813	3,676
TOTAL ASSETS			**89,366**	**84,050**

Liabilities and equity

(in EUR million)		Note	As at 31/12/2019	As at 31/12/2020
I.	Central banks and postal checking accounts		0	0
II.	Interbank borrowings and deposits	*3.1*	11,271	0
III.	Customer deposits	*3.2*	30	6,349
IV.	Debt securities	*3.3*	62,745	6,307
V.	Other liabilities	*3.4*	3,739	56,198
VI.	Accruals	*3.4*	7,129	3,778
VII.	Provisions for risks and charges	*3.5*	733	7,092
VIII.	Subordinated debt	*3.6*	56	56
IX.	General banking risks reserve		0	0
EQUITY			**3,663**	**3,480**
XI.	Capital stock	*3.7*	279	279
XII.	Additional paid-in capital		2,588	2,588
XIII.	Reserves and retained earnings		403	1,060
XVII.	Net income (loss) for the year		393	(447)
TOTAL LIABILITIES AND EQUITY			**89,366**	**84,050**

Off-balance sheet items

(in EUR million)		Note	As at 31/12/2019	As at 31/12/20
COMMITMENTS GIVEN				
I.	Financing commitments given	*4.1*	1,847	2,441
II.	Guarantee commitments given	*4.2*	3,612	3,063
III.	Other commitments given	*4.3*	26,040	20,961
COMMITMENTS RECEIVED				
IV.	Financing commitments received	*4.4*	5,676	5,985
V.	Guarantee commitments received	*4.4*	10,959	8,145
VI.	Commitments related to securities	*4.5*	0	192
VII.	Commitments related to foreign currency transactions	*4.6*	61,797	60,080
VIII.	Commitments related to forward and derivative financial instruments	*4.7*	217,271	204,682

Income statement

(in EUR million)		Note	As at 31/12/2019	As at 31/12/2020
I.	Interest income	5.1	3,780	1,800
II.	Interest expense	5.1	(3,439)	(1,655)
III.	Income from variable-income securities	5.2	168	1
IV.	Fee and commission income	5.3	1	0
V.	Fee and commission expenses	5.3	(25)	(14)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	5.4	(72)	84
VI. B	Net gains (losses) on available-for-sale portfolio transactions	5.4	429	(104)
VI. C	Net gains (losses) on held-to-maturity portfolio transactions	5.4	(67)	4
VII.	Other banking income	5.8	3	1
VIII.	Other banking expenses	5.8	0	0
NET BANKING INCOME (LOSS / PROFIT)			**778**	**117**
IX.	General operating expenses	5.5	(308)	(273)
X.	Depreciation and amortisation		(17)	(11)
GROSS OPERATING INCOME (LOSS / PROFIT)			**453**	**(167)**
XI.	Cost of risk	5.6	195	(18)
OPERATING INCOME (LOSS / PROFIT) AFTER COST OF RISK			**648**	**(185)**
XII.	Net gains (losses) on non-current assets	5.7	(280)	(264)
INCOME (LOSS / PROFIT) BEFORE TAX			**368**	**(449)**
XIII.	Non-recurring items	5.9	2	1
XIV.	Corporate income tax	5.10	23	1
XV.	Net change in general banking risks reserve		0	0
NET INCOME (LOSS / PROFIT)			**393**	**(447)**
BASIC EARNINGS PER SHARE (EUR)			1.41	(1.60)
FULLY DILUTED EARNINGS PER SHARE (EUR)			1.41	(1.60)

Appendix to the financial statements

Presentation and valuation rules

1.1. Significant facts of the financial year

The significant facts of the financial year are as follows:

Holding in Dexia Crediop

Within the framework of the objectives of DCL's resolution plan aimed at simplifying the Group's organisation and strengthening its operational continuity, various strategic options concerning the future of Dexia Crediop are being studied.

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

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

Furthermore, on 11 December 2020, Dexia Crédit Local strengthened Dexia Crediop's equity through a capital increase of EUR 75 million, fully subscribed by Dexia Crédit Local, and the granting of a subordinated loan (Tier 2) of EUR 25 million with a term of five years.

This increase of Dexia Crediop's equity is intended to offset the negative effects of the restructuring of liquidity lines and to improve the capital and large exposure ratios.

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

Closure of the New York branch

On 25 February 2019, Dexia's Board of Directors validated the plan to transform the New York branch into a representative office, and it was effectively closed on 30 November 2020.

The transfer to Dexia Crédit Local Paris of the asset portfolios, their financing and the derivatives associated with them, was carried out in 2019.

The cessation of the branch's activity and the fact that its currency result will no longer evolve led to a recycling in the result of the translation differences on the historical carry-forwards of the DCL New York branch for EUR -264 million in the 2020 parent company financial statements.

Transfers of FSAM assets

As part of the simplification of the management of the American entities, a credit assets portfolio was transferred in December 2020 from FSAM to Dexia Crédit Local Paris in an outstanding amount of USD 311 million. This portfolio of securities was transferred at market value and was recorded in the accounting category of investment securities.

1.2. Other significant elements of the year

Impacts related 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 governments 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 led the Group to implement various prudent measures, within the specific context of its own orderly resolution.

Protection of teams and operational continuity

From the very beginning of the crisis, Dexia Crédit Local closely followed the evolution of the situation linked to the spread of Covid-19. The Management Board quickly activated an operational unit and a strategic crisis unit to protect its teams and implemented all necessary measures to enable them to work remotely.

Credit risk deterioration as a consequence of the crisis

Within the historical context of the pandemic, the assumptions and estimates used for the preparation of Dexia Crédit Local's financial statements as at 31 December 2020 have changed compared to those used for the 2019 annual close. Even though the initial shock of the pandemic occurred three quarters ago, Dexia Crédit Local takes into account the full impact of the macroeconomic shock of 2020 in the calculation of the specific credit risk or in the level of collective provisions. On the other hand, the Group considers that the sovereign support measures will have the consequence of slowing down the impact on risk parameters.

Over the course of 2020, Dexia Crédit Local was led, at the request of certain clients, to propose the rescheduling of bank loans and thus granted payment deferrals on maturities totalling approximately EUR 8.1 million on an outstanding amount of EUR 211 million. The terms consisted of an average six-month deferral of the loan repayments granted.

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

Funding risk and market risk

Despite market tensions, Dexia Crédit Local, which had a liquidity reserve of EUR 19.4 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 allowed the Group to meet its funding needs in very attractive volumes and at very attractive prices, while the government guaranteed debt market was not very active. Following the reopening of the guaranteed debt market from the end of April, Dexia Crédit Local resumed its annual long-term refinancing programme and completed it in September 2020. In line with the strategy pursued since 2017, Dexia Crédit Local did not resort to the ECB's refinancing facilities.

In the first half of 2020, the crisis was also reflected in the very high volatility of all financial indices, all market segments combined, a continuous fall in interest rates, with ten-year euro rates again entering negative territory, an appreciation of the euro and marked movements in interest rate and currency bases. These various elements have impacted the accounts, with a shock in the first quarter followed by an improvement in the following quarters.

Operational risk management during the resolution phase

In 2020, the Dexia Group continued to adapt its structure and operational processes to its mandate of orderly resolution. This resolution phase is by its very nature conducive to the development of operational risks, in particular due to elements such as the departure of key people, a possible demotivation of staff or changes to treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phases, but in the medium term they should ensure the bank's operational continuity and limit the operational risks associated with systems, processes and people.

In particular, the complete migration to a new IT infrastructure, managed by the service provider CHFS (Cognizant Group), was completed at the beginning of the 2020 financial year; it contributes to stabilising the IT environment and securing operational processes. On this basis, the rapid deployment of a teleworking regime for all staff members in response to the health crisis was greatly facilitated.

Against the background of the health crisis, in addition to the permanent governance relating to the management of outsourced services, the monitoring mechanisms were strengthened during the year, in close coordination with CHFS, in order to steer operational continuity, including for the outsourced processes, and to adapt the control framework to remote management.

1.3. Events occurring after the close

Crediop

On 17 February 2021, by way of a press release issued by Dexia Crediop, Dexia announced the sale of a portfolio of assets with a nominal value of approximately EUR 3.2 billion, composed of loans, bonds and derivatives, which will be taken over by Dexia Crédit Local at book value during 2021.

State guarantee

The confirmation by the European Commission[1] 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. A law validating this extension was voted in France on 29 December 2020 and a draft law, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.

1.4. Accounting policies and valuation methods used to present the financial statements

The statutory financial statements of Dexia Crédit Local as at 31 December 2020 were prepared in line with the accounting rules applicable to a going concern. 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 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 Crédit Local 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. A law validating this prolongation was passed in France on 29 December 2020. A draft bill, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.
- Although managing these risks very proactively, the Dexia Crédit Local 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.

(1) Cf. Dexia Press Release dated 27 September 2019, available at www.dexia.com.

• 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[(1)], Dexia Crédit Local 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 Crédit Local 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 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 Crédit Local 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 Crédit Local was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017[(2)] and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash. Furthermore, in 2021 Dexia Crédit Local 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 Crédit Local 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 Crédit Local'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 financial statements, the impact on Dexia Crédit Local 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 Crédit Local 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 Crédit Local's 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 through equity was reduced over the year from EUR -6.4 million as in January 2020 to EUR -4.3 million per basis point as at 31 December 2020 for all assets valued at fair value.

As a consequence, after taking all these elements and uncertainties developed in part in Appendix 1.2. to the statutory financial statements in this annual report into account, Dexia Crédit Local 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. The financial statements have been prepared in accordance with the principles and standards contained in European Council Directives governing the financial statements of banking institutions, in compliance with Regulation n° 2014-07, relating to the accounts of banking sector companies.

a. Changes in accounting policies and valuation methods applied to the financial statements

The accounting policies applied to the financial statements have been amended in accordance with Regulation n° 2020-10 of 22 December 2020 amending Regulation n° 2014-07 of 26 November 2014 relating to the accounts of banking sector companies and approved by the Order of 29 December 2020. Consequently, Dexia presents in the balance sheet at 31 December 2020 the debt representing the value of the borrowed securities under "Other liabilities" for a net amount of the value of these borrowed securities. The accounting

(1) Impact on debt reduction in 2022 of the plan validated by the Board of Directors on 19 July 2019.

(2) On 21 July 2017 the ECB announced the end of access to the Eurosystem for liquidation structures as from 31 December 2021.

rules for borrowed securities classified as trading securities and for the corresponding debt remain unchanged. The impact of this change in presentation on the current year, with the information on the amounts before offsetting, is presented in the notes on assets (see 2.5. "Bonds and other fixed-income securities") and liabilities (3.4. "Other liabilities and accruals").

b. Measurement of items in the balance sheet, off-balance sheet and income statement in the summary financial statements

The summary financial statements have been prepared in accordance with the rules of prudence, and fundamental accounting principles:
- going concern assumption;
- matching principle;
- consistency criterion.

Customer loans

Any loans approved but not yet disbursed are shown as off-balance sheet items.
Current and accrued interest on customer loans is recognised in banking income on an accrual basis, as is the interest on overdue payments. Interest on non-performing loans reported in net banking income is neutralised by the recognition of an equivalent amount of impairment.
Related fees and commissions received and incremental transaction costs on extending or acquiring credits, if significant, are spread over the effective life of the loan. Other fees received are recorded directly to income.
For both accounting and tax purposes, all early repayment penalties on loans recognised up to 31 December 2004 will continue to be amortised over the remaining life of the related loans in proportion to the outstanding interest that would have had to be paid. The balance of outstanding penalties to be amortised is classified under deferred income.
Since 1 January 2005, all early repayment penalties on loans have been taken into income at the repayment date.
Customer loans are stated in the balance sheet net of provisions for possible losses. They are broken out into four separate categories: performing loans, restructured performing loans, non-performing loans under collection and doubtful non-performing loans.
Non-performing loans are considered to be doubtful as soon as it becomes apparent that they will probably or certainly not be repaid. Non-performing loans are defined as any loans that are more than three months overdue in accordance with the prudential definition of default published by the European Banking Authority and regulation published by the ECB as single supervisor. Loans to borrowers that have been subject to formal alert procedures or filed for bankruptcy are classified as loans under collection, this category being analysed in the notes to the financial statements in the same way as non-performing loans.
Impairment on non-performing loans is computed on the basis of the estimated loss exposure. Interest is written down in full.
Non-performing loans are considered to be doubtful as soon as their repayment becomes highly uncertain and it becomes apparent that they will eventually be written off.
Non-performing loans are downgraded from "under collection" to "doubtful" either one year at the latest after becoming non-performing, or immediately if the loan had previously been classified as a restructured performing loan. The interest on these loans is no longer included in interest income once they have been classified as doubtful non-performing.

Loans that have been restructured under non-market conditions are included in the restructured performing loans category until their final maturity. They are written down for impairment in an amount equal to the present value of the future interest payments gap. This write-down is taken immediately into expense under the cost of risk, and is reversed into income on an accrual basis over the remaining term of the loan.

Securities transactions

The securities held by Dexia Crédit Local are recorded on the balance sheet under the following asset headings:
- government securities eligible for Central Bank refinancing;
- bonds and other fixed-income securities;
- equities and other variable-income securities.

In accordance with Regulation n° 2014-07, they are broken out in the notes to the financial statements into "Held-for-trading securities", "Available-for-sale securities", "Held-to-maturity securities" and "Portfolio securities".

Held-for-trading securities

Held-for-trading securities are securities traded on a liquid market that are purchased or sold with the intention of being sold or repurchased within a short period of time. The Dexia Crédit Local held-for-trading portfolio consists primarily of adjustable-rate bonds. Held-for-trading securities are taken to the balance sheet at cost, including accrued interest and excluding acquisition costs. At each period end, they are marked to market and the resulting unrealised gain or loss is taken to the income statement.

Available-for-sale securities

These consist of securities that are not recognised as held-for-trading securities, held-to-maturity securities, portfolio securities, other long-term investments, investments in associates or investments in related parties.
The portfolio consists primarily of fixed and adjustable-rate bonds, but also includes some variable-income securities. Fixed-rate bonds are generally hedged against interest rate risks by means of interest rate and/or currency swaps classified as hedges. The use of this technique has the effect of creating synthetic adjustable or variable-rate assets that are immunised against interest rate risks.
Available-for-sale securities are taken to the balance sheet at cost, excluding acquisition costs and accrued interest, which are recorded separately. Any premiums or discounts, corresponding to the difference between the acquisition cost and redemption price, are recorded on the balance sheet and amortised to the income statement on a quasi-yield-to-maturity basis over the remaining life of the securities. This method is applied to all securities in the portfolio.
At the reporting date, in application of the prudence principle, available-for-sale securities are recorded on the balance sheet at the lower of their acquisition cost and their selling price at the reporting date, after taking into account gains on micro hedging transactions for purposes of calculating the reduction in their value.
If no active market is available for a given financial instrument, valuation techniques are used to calculate the realisable value (or the market value, as defined elsewhere in the notes) of the instrument. The valuation model should take into account all the factors that market participants would consider when pricing the asset. In such cases, Dexia Crédit Local uses its own valuation models, taking account of market conditions at the date of the valuation as well as of any changes in the credit risk quality of these financial instruments and market liquidity.

If the potential decrease in the value of the securities exceeds the related unrealised hedging gain, a provision corresponding to the difference is deducted from the securities' carrying amount. A reserve is booked on the liabilities side of the balance sheet for any unrealised hedging losses that are not offset by an increase in the market value of the hedged securities.

Gains and losses on disposals of marketable available-for-sale securities are calculated on a FIFO basis.

Any available-for-sale securities transferred to the held-to-maturity portfolio are transferred at cost.

Any provisions for impairment that are no longer required at the date of transfer are released to the income statement over the remaining life of the securities.

Held-to-maturity securities

Held-to-maturity securities consist of fixed-income securities with fixed maturities that have been acquired or transferred from "available-for-sale securities" and "held-for-trading securities" with the explicit intention of being held to maturity.

They are either financed with back-to-back resources or hedged in order to neutralise the effect of interest rate fluctuations on earnings. The hedging instruments used consist solely of interest rate and/or currency swaps.

The use of these specific, allocated hedges has the effect of creating synthetic adjustable- or variable-rate assets that are immunised against interest rate risks.

Held-to-maturity securities are stated at cost, excluding acquisition costs and accrued interest at the date of acquisition, which are recorded separately. Premiums and discounts, representing the difference between the cost of the securities, excluding accrued interest, and the redemption price, are amortised on a yield-to-maturity basis over the remaining life of the securities.

Unrealised gains are not recognised and no provisions are booked for unrealised losses at the balance sheet date except in cases where:

- the ability of the issuer to honour its repayment obligations appears uncertain; or
- it is probable that the securities will not be held to maturity due to a change in circumstances.

Should held-to-maturity securities be sold or transferred to another portfolio category for an amount that is material relative to the total value of all held-to-maturity securities, Dexia Crédit Local would no longer be authorised to classify any securities previously or subsequently acquired as held-to-maturity until the third following full fiscal year, unless said sale or transfer does not call into question the bank's intention of maintaining its other held-to-maturity securities until their actual maturity (e.g. sale of one particular held-to-maturity security whose issuer's credit quality has deteriorated significantly, or in the case of held-for-trading or available-for-sale securities that were previously transferred into held-to-maturity under extraordinary market conditions that required a change of strategy and which may once more be traded on an active market). All previously acquired held-to-maturity securities are reclassified as "available-for-sale securities" at their carrying amount at the same time that the other securities are reclassified.

Portfolio securities

This category includes variable-income securities purchased on a regular basis with the intention of selling them at a profit in the medium-term. At the time of purchase, the company has no intention of investing in the long-term development of the issuer's business or of actively participating in its day-to-day management.

Portfolio securities are taken to the balance sheet at cost excluding acquisition costs. At each period end, they are stated at the lower of historical cost and Fair value to the Group. Fair value is determined based on a range of criteria, including the issuer's outlook and the length of the estimated holding period. For listed securities, Fair value is the average market price determined over a sufficiently long period in view of the estimated holding period to eliminate the impact of any wide swings in market prices. At each period end, and for each line of securities, if the Fair value represents less than carrying amount, a provision is booked for the unrealised loss. For the purpose of determining the provision, unrealised losses are not netted against unrealised gains, which are not recognised.

Gains and losses on disposals of portfolio securities are determined on a FIFO basis.

Sale and repurchase agreements and lending of securities

Securities may be sold under repurchase agreements, lent or borrowed for the purpose of reducing Dexia Crédit Local's short-term liquidity cost.

The securities may or may not be physically delivered to the buyer.

When securities are sold under a repurchase agreement, a debt corresponding to the value of the repurchase commitment is recognised on the balance sheet. The interest paid on the funds received is recognised in the income statement on an accrual basis.

Gains and losses on repurchase agreements are calculated using the same method as for outright sales, depending on the portfolio from which the securities were taken.

Transactions involving the simultaneous cash sale and forward purchase of the same securities are accounted for in the same way as repurchase agreements. The cash held in connection with repurchase agreements is periodically adjusted to take account of changes in the market value of the securities during the term of the contract, so as to reduce the credit risk incurred by the buyer as a result of any impairment in value of the collateral represented by the securities.

Loaned securities are reclassified as receivables for an amount equal to the carrying amount of the loaned securities. At each balance sheet date, the receivable is remeasured using the valuation principles applicable to the securities that have been loaned.

Borrowed securities are recorded as held-for-trading securities, with a contra entry to a liability to the lender. At each balance sheet date, the borrowed securities and the corresponding liability are remeasured using the valuation principles applicable to held-for-trading securities. As from the year 2020, borrowed securities and the corresponding debt are presented on a net basis under "Other liabilities".

Long-term investments

Investments in associates

Investments in associates represent investments that are intended to be useful to the Group's activities over the long term. They are intended to:

- be held on a long-term basis to exercise influence or control over the issuer; or
- underpin banking relations with the company concerned.

They are stated at cost excluding any related acquisition costs. At the balance sheet date, these shares are measured at the lower of cost and value in use, i.e. the Fair value based on the utility of the investment to Dexia Crédit Local.
In the case of companies whose net assets are at least equal to their value when the last shares were acquired, with prior-year positive earnings or an outlook for genuine recovery in the current year, value in use to the Group is considered as being at least equal to the historical cost of the investment. In all other cases, a range of criteria are applied to determine the possible need to record a provision for impairment in value in accordance with the prudence principle.
In accordance with Regulation n° 2014-07, differences arising on translation at the year-end rate of investments denominated in foreign currencies that are financed in euros are taken to equity, under "Accumulated translation adjustments", and not to the income statement.
In the event of disposal of part of the Group's interest in an associate, the resulting gain or loss is determined on a FIFO basis.

Other long-term investments

This category comprises variable-income securities acquired with the aim of developing long-term business ties with the issuer, although Dexia Crédit Local is not in a position to influence the management of the issuer due to the small proportion of voting rights held. Other long-term securities are taken to the balance sheet at cost, excluding acquisition costs. At each period end, they are stated at the lower of historical cost and Fair value. The Fair value is determined for listed and unlisted securities held over the long term based on the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. Gains and losses on disposals of long-term investment securities are determined on a FIFO basis.

Tangible and intangible assets

These assets are stated at cost and depreciated or amortised using the straight-line method over their estimated useful life, at the rate at which their future economic benefits are consumed.
Unless otherwise stated, furniture and fixtures are depreciated over ten years and office equipment generally over five years. Software is amortised over three to five years.

Other assets

This heading includes mainly collateral (guarantee deposits) receivable under swap transactions, which is recognised at its carrying amount.

Debt securities

Debt securities include bonds and negotiable debt securities.

Bonds

Bonds are recorded at face value. All related accrued interest is computed at contractual rates and recorded under interest expense.
Zero-coupon bonds are recorded at their issue price. At each period end, accrued interest for the period, computed on the basis of the yield to maturity announced at the time of issue, is charged to the income statement as expenses on debt securities and an equivalent amount is added to the debt on the liabilities side of the balance sheet until the maturity date so as to gradually increase the carrying amount of the debt to the amount repayable at maturity.
Bond issuance costs are deferred and amortised on a straight-line basis over the life of the bonds. Since 1 January 2005, premiums paid or received on bonds acquired by Dexia Crédit Local are recognised directly through profit or loss.
Bonds denominated in foreign currencies are accounted for in the same way as foreign currency transactions.

Negotiable debt securities

Negotiable debt securities are stated at face value. Interest on medium-term notes, BMTN (domestic short- or medium-term notes) and negotiable certificates of deposit is recorded under "Interest expense" on an accrual basis. Prepaid interest on commercial paper is recorded under "Accrued assets" on the transaction date and amortised over the residual life of the paper.

Discounts and premiums on debt securities

Bond discounts and premiums and redemption premiums are amortised on a straight-line basis over the remaining life of the bonds from the date of acquisition. They are recorded on the consolidated balance sheet under the relevant liabilities accounts. Amortisation is taken to the income statement under "Interest expense on bonds and other fixed-income securities".

Other liabilities

This heading includes mainly collateral (guarantee deposits) payable under swap transactions, which is recognised at its carrying amount. As from 31 December 2020, the debt representing the value of borrowed securities included in this item is presented net of the value of these borrowed securities.

Reserves

Provisions for risks and charges are set aside at their present value when:
- Dexia Crédit Local 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.

General (or collective) provisions on customer loans are included in this heading. These provisions cover the risk of loss in value not covered by specific impairment where at the balance sheet date there is objective evidence that probable losses are present in certain segments of the portfolio or other lending-related commitments qualified as sensitive and monitored in the framework of the "watchlist". These losses are estimated based upon historical patterns of default rate and losses in each segment and adjusted to the current macro-economic environment to date and forward looking over the next 3 years.
Regulatory tax reserves are set aside in the financial statements for accelerated tax depreciation. Reserves against forward and derivative financial instruments are booked in accordance with the rules specified in the paragraph concerning forward and derivative financial instruments.
Retirement and other post-employment benefits are calculated in accordance with the local regulations applicable in each country and are recognised as expenses for the year. These commitments are recalculated each year using an actuarial method and recognised under reserves in accordance with Recommendation 2013-02 on the evaluation and recognition of pension liabilities for annual and consolidated accounts prepared in accordance with French accounting standards.
These reserves also include provisions for deferred taxes.

Subordinated liabilities

Subordinated redeemable notes issued by Dexia Crédit Local are considered as Tier 2 capital for the purpose of calculating the European capital adequacy ratio, in accordance with EC Regulation n° 575/2013.

Forward and derivative financial instruments

Dexia Crédit Local uses forward and derivative financial instruments in the normal course of business, mainly as hedges against interest rate and currency risks and, to a lesser extent, in order to take advantage of favourable interest rate and currency trends. The instruments used include interest rate and/or currency swaps, FRAs, caps, floors, interest rate options, futures, credit default swaps and credit spread options.

Forward and derivative financial instruments are valued and accounted for in four transaction categories, in accordance with Regulation n° 2014-07 based on the initial purpose of the transaction.

The four transaction categories are specific hedges, macro-hedges, isolated open positions and specialist portfolio management; each has its own rules for measurement and recognition.

For transactions in all categories, the commitment or notional amount is recorded as an off-balance sheet commitment over the life of the contract, i.e. from the date of signing of the contract to its maturity or the start date of the reference period in the case of forward rate agreements. The amount of the commitment is adjusted to reflect any changes in notional amounts, so as to show at all times the maximum current or future commitment. Each contract is recorded separately and is classified in one of the above four categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Upfront equalisation payments on hedging transactions are amortised over the remaining life of the instrument. All transactions are amortised on a quasi-yield-to-maturity basis.

Hedging transactions

Micro hedging

Micro-hedges are used to cover interest rate risks on a specific item or group of items with similar characteristics, identified at the outset. The criteria applied to determine whether transactions qualify as micro-hedges are as follows:

- the hedged item must contribute to the bank's overall exposure to fluctuations in prices or interest rates;
- the contracts must be purchased or sold for the specific purpose, and must have the specific effect, of reducing the bank's exposure to fluctuations in prices or interest rates in respect of the hedged item and must be identified as such at the outset.

Instruments meeting this definition consist primarily of swaps acquired as micro-hedges of primary issues, bonds held in the "available-for-sale" and "held-to-maturity" portfolios and customer loans. The hedging instruments have the effect of creating synthetic variable- or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Expenses and income on micro-hedges are recorded in the income statement in the same way as the expenses and income on the hedged item or group of similar items.

In cases where the hedged item is repaid early (or disposed of), the following accounting treatment is applied to the equalisation payment received or paid due to the early unwinding of the hedging instrument:

- if the hedge was unwound before 1 January 2005, the equalisation payment is spread over the remaining life of the cancelled transaction;
- if the hedge was unwound on or after 1 January 2005, the equalisation payment is recognised in profit or loss during the period in which the hedge was unwound. However, the equalisation payment paid by Dexia Crédit Local is charged against income only for the portion that exceeds gains not yet recorded in income on the symmetric position.

In both cases, deferred equalisation payments are recorded in accrued assets or liabilities.

In the case where the hedging item is unwind or replaced by an other instrument with continuation of the hedged instrument, the equalization payment is spread over the remaning life of the hedged item.

Macro hedging

This category includes contracts that are intended to hedge and manage Dexia Crédit Local's overall exposure to interest rate risks on assets, liabilities and off-balance-sheet items, other than micro-hedges, contracts representing isolated open positions and contracts acquired for specialist portfolio management purposes.

Macro-hedges have the effect of reducing Dexia Crédit Local's overall exposure to interest rate risks on its business transactions.

Expenses and income on macro-hedges are recorded in the income statement on an accrual basis under "Interest expense on macro-hedges" and "Interest income on macro-hedges". The contra entry is recorded on the balance sheet in an accruals account until such time as the funds are collected or disbursed.

In the event of the unwinding of a macro-hedge, the equalisation payment is recognised as follows:

- equalisation payments on swaps unwound before 1 January 2005 are amortised when the unwinding of the position is not linked to a prior change in the over-all interest rate risks to be hedged, or are taken into income symmetrically to those components that resulted in the modification of said risk.
- as from 1 January 2005, the equalisation payment is recognised through profit or loss.

Position management

Dexia Crédit Local conducts two types of position management transactions:

- specialist held-for-trading portfolio management;
- position-taking.

Specialist held-for-trading portfolio management

This activity covers transactions with local authorities and their symmetrical transactions entered into with banks. Its purpose is the specialist management of a held-for-trading portfolio comprising specific interest rate swaps and other interest rate-based derivatives.

The held-for-trading portfolio is actively managed based on sensitivity criteria, with predefined interest rate exposure limits set internally in accordance with the Arrêté of 3 November 2014 as amended. Positions are centralised and results calculated on a daily basis.

Gains and losses are recognised on a mark-to-market basis, as follows:

- total future cash flows are marked to market on a monthly basis and the resulting unrealised gain or loss is taken to the income statement;

• all payments made or received are recorded directly in the income statement.

Mark-to-market gains and losses on derivatives are calculated using the replacement cost method. This method consists of taking each individual contract and simulating a new contract, which, at the balance sheet date, closes the open position created by the original contract. The differences in cash flows between the actual and simulated contracts are then discounted.

The portfolio valuation takes into account portfolio management costs and counterparty risks.

For the purposes of this activity, the Dexia Crédit Local New York branch centrally manages the risks generated by the portfolios. Risk is transferred using internal contracts. These contracts are put in place, recorded and valued in accordance with Regulation n° 2014-07.

Position-taking

Derivatives held in the position-taking portfolio are intended to keep isolated positions open in order to take advantage of any favourable interest rate movements. The portfolio also includes all contracts (including credit derivatives) that do not fulfil the criteria for classification as specialist portfolio management.

Gains and losses are recognised in accordance with the prudence principle as follows:

• provisions for risks are booked for any unrealised losses calculated as a result of periodic mark-to-market valuations; unrealised gains are not recognised in the income statement;

• interest and equalisation payments are recognised in the income statement on an accrual basis.

Foreign exchange transactions

Dexia Crédit Local uses currency swaps and forward purchases and sales of foreign currencies to hedge its currency risks. Currency swaps are used to match funding currencies with the currencies of the assets financed. Forward purchases and sales of foreign currencies are used to offset or reduce the impact of exchange rate fluctuations on specific items or groups of similar items. A limited number of unhedged foreign exchange positions are also established in con-nection with Dexia Crédit Local's position-taking activities.

In accordance with Regulation n° 2014-07, currency instruments are classified as either hedged transactions or position-management transactions. This categorisation determines the applicable accounting treatment for the related gains and losses.

Currency instruments in both categories are recorded as off-balance-sheet commitments over the life of the contract, i.e. from the date of signing of the contract to the start date of the reference period.

Each contract is recorded separately and is classified in one of the above categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Hedging transactions

Forward points – the difference between the forward rate and the spot rate – are recognised in the income statement on an accrual basis. The position is initially recorded at the spot rate and its value is gradually adjusted over the life of the contract to take account of the forward points.

Position-transactions management

These represent forward currency transactions that do not meet the criteria for qualification as hedged forward currency transactions as defined in Regulation n° 2014-07, in that they do not relate simultaneously to loans and borrowings or to spot currency transactions. Such transactions are entered into with the aim of taking advantage of exchange rate movements.

Gains and losses on position-management transactions are determined and accounted for by translating movements in the currency accounts into euros at the forward rate applicable to the remaining terms of the contracts.

Foreign currency transactions

In accordance with Regulation n° 2014-07, Dexia Crédit Local recognises foreign currency transactions in accounts opened and denominated in each of the currencies concerned.

Specific foreign currency position accounts are maintained in each currency showing the position in that currency and the euro equivalent.

At each period end, the difference between the value of the foreign currency position account translated into euro at the year-end spot rate and the value of the foreign currency position in the euro equivalent account is taken to the income statement. Differences arising on the translation into euro of investments in foreign currency-denominated non-consolidated companies financed in euros are recorded on the balance sheet under "Accumulated translation adjustments".

Differences arising on the translation into euros of held-to-maturity securities denominated and financed in foreign currencies are recognised on a symmetrical basis with the differences arising on translation of the related financing.

The balance sheets of foreign consolidated branches of Dexia Crédit Local are translated into euros at the period-end exchange rate, with the exception of equity, which is translated at the historical rate.

Income statement items are translated at the average rate for the period. Differences arising on translation are recorded as a separate component of equity under "Accumulated translation adjustments".

Cost of risk

The cost of risk includes movements in loss reserves on interbank and customer loans, fixed-income held-to-maturity securities (in the case of recognised risk of default by the issuer) and off-balance-sheet items (other than off-balance sheet derivatives), as well as loan losses, recoveries of loans written off in prior years, and movements in other provisions and reserves for credit risks and contingencies relating to these items.

Non-recurring items

Non-recurring income and expenses result from events or transactions that do not relate to the ordinary business operations or routine management of the company's assets and liabilities.

They represent material items of income and expense that do not depend on decisions made in connection with the routine management of the business or of the company's assets and liabilities, but which result from external events that are exceptional in terms of their infrequency and their impact on net income. Only items of this nature, that have a significant impact on profit and loss for the period, are classified as non-recurring income and expenses.

Corporate income tax

For large companies (whose turnover is more than EUR 250 million), the French finance law for 2020 set the following rates: in 2020, 31% for taxable profits up to

EUR 500,000 (against 33 1/3 % in 2019) and 28% up to that amount. For the corporate income tax of the accounting years 2021 and 2022 , the rates as stipulated by legislation in force will be respectively 27.5% and 25%, for all taxable profits. The social contribution of 3.3% remains applicable (based on the amount of the corporate income tax for the part which exceeds EUR 763,000).

The deferred tax rate for French companies within the group Dexia Crédit Local is 25.825% (25% rate of CIT plus additional contribution). The rate used corresponds to the rate that will be in force in France as from 2022, as no use is expected to be made of net deferred tax assets in 2021. All things considered, the offsetting of deferred tax assets and deferred tax liabilities in France gives rise to a net deferred tax asset that is not recognised.

The rate applicable on contributions of foreign branches is the rate applied in the countries in which they operate.

Tax consolidation

Dexia Crédit Local is in the scope of the tax consolidation the parent company of which since January 1, 2002 has been the permanent establishment (Dexia ES) located in France.

Dexia ES is solely liable for corporation tax and its additional contributions to be paid by the group. DCL's tax expense is recorded in the accounts on stand alone basis, as if there were no tax consolidation.

The savings generated by the tax consolidation group are recorded at Dexia ES (out off DCL's scope).

An amendment to the tax treaty signed in 2011 between Dexia ES and Dexia Crédit Local allows the tax savings generated by Dexia Crédit Local and its subsidiaries to be reallocated to Dexia Crédit Local.

A second amendment signed in 2012 between Dexia ES and Dexia Crédit Local aims to exclude the subsidies received from Dexia ES when calculating the tax contribution of Dexia Crédit Local when they are neutralized within the framework of the overall consolidated tax result of the group.

However, this amendment ceased to apply from 1 January 2019 as a consequence of the French budget law for 2019 which disallows direct or indirect subsidies and debt write-offs granted between tax consolidated companies to be neutralized for the computation of the group's tax result.

Locations and activities in tax haven countries and territories

In compliance with Article L.511-45 of the French Monetary and Financial Code, it should be noted that Dexia Crédit Local has no offices (branches, subsidiaries or special purpose entities), affiliates or other exclusively or jointly controlled de facto or de jure interests in entities in countries that do not have administrative assistance agreements with France.

Company consolidating the financial statements of Dexia Crédit Local

Dexia, Place du Champ de Mars 5, B-1050 Brussels, Belgium.

Going concern

The statutory financial statements of Dexia Crédit Local as at 31 December 2020 were prepared in line with the accounting rules applicable to a going concern. 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 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 Crédit Local 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. A law validating this extension was passed in France on 29 December 2020. A draft bill, approved in December 2020 by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval in the coming weeks.
- Although managing these risks very proactively, the Dexia Crédit Local 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[(1)], Dexia Crédit Local 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 Crédit Local 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 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 Crédit Local executed its entire long-term refinancing programme on terms close to

(1) Impact on debt reduction in 2022 of the plan validated by the Board of Directors on 19 July 2019.

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 Crédit Local was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017[1] and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash. Furthermore, in 2021 Dexia Crédit Local 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 Crédit Local 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 Crédit Local'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 financial statements, the impact on Dexia Crédit Local 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 Crédit Local 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 Crédit Local's 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 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 developed in part in Appendix 1.2. to the statutory financial statements in this annual report into account, Dexia Crédit Local 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. The financial statements have been prepared in accordance with the principles and standards contained in European Council Directives governing the financial statements of banking institutions, in compliance with Regulation n° 2014-07, relating to the accounts of banking sector companies.

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(1) On 21 July 2017 the ECB announced the end of access to the Eurosystem for liquidation structures as from 31 December 2021.

2. Notes to the assets

2.1. Cash, balances with central bank and post offices (item I - assets)

a. Accrued interest

	0

b. Detailed analysis, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Cash	0	0
Deposits with central banks and issuing institutions[1]	9,176	9,861
Deposits with postal checking accounts	0	0
TOTAL	9,176	9,861

(1) EUR 9.9 billion liquidity reserve in the form of cash deposits with central banks.

2.2. Government securities eligible for Central Bank refinancing (item II - assets)

a. Accrued interest

(in EUR million)	
	121

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	6 334	7 848	0	17	478	7 353

c. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
Costs as at 31/12/2019	76	537	5,722	6,335
Movements for the year:				
• acquisitions[1]	0	0	1,824	1,824
• disposals and redemptions	0	0	(250)	(250)
• transfers	0	0	0	0
• translation adjustments	0	(4)	(1)	(5)
• other[2]	5	(4)	(57)	(56)
Costs as at 31/12/2020	81	529	7,238	7,848
Impairment as at 31/12/2019	0	(1)	0	(1)
Movements for the year:				
• charges	0	0	0	0
• recoveries	0	1	0	1
• translation adjustments	0	0	0	0
• other	0	0	0	0
Impairment as at 31/12/2020	0	0	0	0
Net carrying amount as at 31/12/2020	81	529	7 238	7,848

Additional information concerning government securities is provided in note 2.5

(1) Acquisition of investment securities is exclusively related to the purchase of government securities as part of a long-term investment.

(2) The other variation on held for trading are Fair value variation and premium/discount variation for the assets classified as available for sale and held to maturity.

d. Transfers between portfolios

No transfers were made between portfolios in 2020.

e. Listed and unlisted securities, excluding accrued interest

An analysis of listed and unlisted securities is presented in note 2.5.g.

2.3. Interbank loans and advances (item III - assets)

a. Accrued interest

(in EUR million)	
	(4)

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	648	543	543	0	0	0
Term loans and advances	12,376	11,084	3,041	5,627	1,852	564
TOTAL	13,024	11,627	3,584	5,627	1,852	564

c. Analysis of non-performing loans, excluding accrued interest

No non-performing and litigious loans .

d. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Subordinated interbank loans(1)	0	25
Non-subordinated interbank loans	12,376	11,059
TOTAL	12,376	11,084

(1) Subordinated loan of Dexia Crediop subsidiary of EUR 25 million.

e. Analysis of subordinated non-performing loans, excluding accrued interest

No non-performing and litigious loans.

2.4. Customer loans and advances (item IV - assets)

a. Accrued interest

(in EUR million)	101

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity or not analysed
	19,877	15,156	803	573	1,939	11,841	0

c. Analysis by type of borrower, excluding accrued interest

	As at 31/12/2019	As at 31/12/2020		
(in EUR million)	Total	Public sector	Other sectors	Total
Performing loans	19,526	7,419	7,432	14,851
Restructured performing loans	0	0	0	0
Non-performing loans under collection	351	87	218	305
Doubtful non-performing loans	0	0	0	0
TOTAL	19,877	7,506	7,650	15,156

d. Analysis of non-performing loans, excluding accrued interest

VALUATION OF RISK (in EUR million)	As at 31/12/2019	As at 31/12/2020
Gross non-performing loans under collection	471	423
Accumulated impairment	(120)	(118)
NET NON-PERFORMING LOANS UNDER COLLECTION	351	305
Gross doubtful non-performing loans	7	6
Accumulated impairment	(7)	(6)
NET DOUBTFUL NON-PERFORMING LOANS	0	0

e. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Subordinated customer loans	0	0
Non-subordinated customer loans	19,877	15,156
TOTAL	19,877	15,156

f. Analysis of loans by type of counterparty, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Gross carrying amount – Unconsolidated companies	0	0
Gross carrying amount – Consolidated companies	0	0
Gross carrying amount – Others	19,877	15,156
TOTAL	19,877	15,156

2.5. Bonds and other fixed-income securities (item V - assets)

a. Accrued interest

(in EUR million)	95

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	14,261	12,119	106	127	2 335	9 551

c. Analysis by type of issuer, excluding accrued intered

Analysis by type of issuer, excluding accrued intered (in EUR million)	As at 31/12/2019	As at 31/12/2020
Public sector issuers	9,514	5,841
Other issuers	4,747	6,278
TOTAL	14,261	12,119

d. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
COSTS AS 31/12/2019	1,383	5,967	6,991	14,341
Movements for the year:				
• acquisitions(1)	0	0	605	605
• disposals and redemptions	(931)	(786)	(569)	(2,286)
• transfers	0	0	0	0
• other movements(2)	(33)	(24)	16	(41)
• translation adjustments	(19)	(230)	(156)	(405)
COSTS AS 31/12/2020	400	4 927	6 887	12 214
IMPAIRMENT AS AT 31/12/2019	0	(80)	0	(80)
Movements for the year:				
• charges	0	(294)	0	(294)
• recoveries	0	278	0	278
• transfers	0	0	0	0
• other movements	0	0	0	0
• translation adjustments	0	1	0	1
IMPAIRMENT AS AT 31/12/2020	0	(95)	0	(95)
NET CARRYING AMOUNT AS AT 31/12/2020	400	4,832	6,887	12,119

(1) Held for trading acquisitions are related to the transfer of securities from the subsidiary FSAM to Dexia Crédit Local and to bonds borrowings used as collateral in refinancing operations.
(2) Other movements in trading securities are related in Fair value and to the evolution of premium/discount on other portfolios. As at 31 December 2020, the borrowed securities are presented as a deduction of debt representing the value of the borrowed securities as "Other liabilities" of EUR 1,009 million..

e. Analysis by type of portfolio

(in EUR million)	As at 31/12/2019 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total
Government securities	**76**	**545**	**5 821**	**6,442**	**81**	**537**	**7 351**	**7,969**
Gross carrying amount	76	478	5 250	5,804	81	475	6 618	7 174
Premiums/discounts	0	59	472	531	0	54	620	674
Related receivables	0	9	99	108	0	8	113	121
Impairment	0	(1)	0	(1)	0	0	0	0
Market value	76	657	7,684	8 417	81	688	9,848	10,617
Bonds and other fixed-income securities	**1,383**	**5,945**	**7,051**	**14,379**	**400**	**4,875**	**6,939**	**12,214**
Gross carrying amount	1,383	6,031	7,182	14,596	400	4,978	7,134	12,512
Premiums/discounts	0	(64)	(191)	(255)	0	(51)	(247)	(298)
Related receivables	0	58	60	118	0	43	52	95
Impairment	0	(80)	0	(80)	0	(95)	0	(95)
Market value	1,383	7,699	10,036	19,118	400	6,327	10,372	17,099
Total securities portfolio	**1,459**	**6,490**	**12,872**	**20,821**	**481**	**5,412**	**14,290**	**20,183**
PROVISIONS FOR RISKS AND CHARGES[(1)]	**0**	**(587)**	**0**	**(587)**	**0**	**(611)**	**0**	**(611)**

(1) The EUR -611 million provision for risks and charges is related to losses on hedges of available-for-sale securities. This provision is presented as a liability (see note 3.5.)

f. Analysis by type of counterparty

(in EUR million)	As at 31/12/2019 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total
Government securities	**76**	**545**	**5,821**	**6,442**	**81**	**537**	**7,351**	**7,969**
Central governments	76	515	5 637	6 228	81	508	7 348	7 937
Local governments	0	28	4	32	0	28	3	31
Credit institutions	0	2	180	182	0	1	0	1
Bonds and other fixed-income securities	**1,383**	**5,945**	**7,051**	**14,379**	**400**	**4,875**	**6,939**	**12,214**
Central governments	0	1,932	402	2,334	0	1,819	821	2,640
Local governments	0	1,730	1,570	3,300	0	1,459	1,393	2,852
Credit institutions	927	497	2,411	3,835	0	424	2,330	2,754
Other private-sector entities	456	1,786	2,668	4,910	400	1,173	2,395	3,968
Total securities portfolio	**1,459**	**6,490**	**12,872**	**20,821**	**481**	**5,412**	**14,290**	**20,183**

g. Analysis by listing of securities

(in EUR million)	As at 31/12/2019 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total
Government securities	**76**	**545**	**5,821**	**6,442**	**81**	**537**	**7,351**	**7,969**
Listed securities[(1)]	76	530	5,819	6,425	81	523	7,348	7,952
Unlisted securities	0	15	2	17	0	14	3	17
Bonds and other fixed-income securities	**1,383**	**5,945**	**7,051**	**14,379**	**400**	**4,875**	**6,939**	**12,214**
Listed securities[(1)]	65	1,530	6,237	7,832	66	1,090	6,229	7,385
Unlisted securities	1,318	4,415	814	6,547	334	3,785	710	4,829
Total securities portfolio	**1,459**	**6,490**	**12,872**	**20,821**	**481**	**5,412**	**14,290**	**20,183**

(1) "Listed" means quoted on a securities exchange.

h. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Subordinated bonds and other subordinated fixed-income securities issued by credit institutions	0	0
Subordinated bonds and other subordinated fixed-income securities issued by other issuers	0	0
Non-subordinated bonds and other non-subordinated fixed-income securities	14,261	12,119
TOTAL	**14,261**	**12,119**
of which: listed subordinated bonds and other listed subordinated fixed-income securities	0	0

i. Transfers between portfolios

No portfolio transfers in 2020.

j. Analysis of non-performing loans, excluding accrued interest

Valuation of risk (in EUR million)	As at 31/12/2019	As at 31/12/2020
Gross non-performing loans under collection	39	33
Accumulated impairment	(3)	(2)
NET NON-PERFORMING LOANS UNDER COLLECTION	**36**	**31**

2.6. Equities and other variable-income securities (item VI - assets)

a. Analysis by type of portfolio and movements for the year

	Banking activity and other		Total
(in EUR million)	Held for trading	Available for sale	
Costs as 31/12/2019	**44**	**52**	**96**
Movements for the year:			
• acquisitions(1)	17	0	17
• disposals and redemptions(2)	(61)	(13)	(74)
• other movements	0	0	0
• translation adjustments	0	(3)	(3)
Cost as 31/12/2020	**0**	**36**	**36**
Impairment as at 31/12/2019	**0**	**(32)**	**(32)**
Movements for the year:			
• charges	0	0	0
• recoveries	0	1	1
• other movements	0	0	0
• translation adjustments	0	1	1
Impairment as at 31/12/2020	**0**	**(30)**	**(30)**
NET CARRYING AMOUNT AS AT 31/12/2020	**0**	**6**	**6**

(1) Movements correspond to the activity of the UCITS portfolio
(2) EUR -74 million includes EUR -61 million related to the UCITS portfolio activity and EUR -13 million corresponding to the asset refund in investment funds.

b. Transfers between porfolios (excluding insurance business)

No transfers were made between portfolios in 2020.

c. Unrealised gains and losses on variable income securities

(in EUR million)	Carrying amount as at 31/12/2020	Market value as at 31/12/2020	Net unrealised capital gain as at 31/12/2020
Unlisted securities	4	7	2
Listed securities	2	4	2
SECURITIES	**6**	**11**	**5**

2.7. Long-term equity investments (item VII - assets)

a. Accrued interest

(in EUR million)	0

b. Analysis by type of issuer and movements for the year

(in EUR million)	Related parties	Other long-term equity estments	Total
Cost as at 31/12/2019	**3,189**	**12**	**3,201**
Movements for the year:			
• acquisitions(1)	75	0	75
• disposals and redemptions	0	0	0
Cost as at 31/12/2020	**3,264**	**12**	**3,276**
Impairment as at 31/12/2019	**(2,985)**	**(6)**	**(2,991)**
Movements for the year:			
• charges	0	0	0
• recoveries	0	0	0
Impairment as at 31/12/2020	**(2,985)**	**(6)**	**(2,991)**
NET CARRYING AMOUNT AS AT 31/12/2020	**279**	**6**	**285**

(1) Capital increase of Crediop of EUR 75 million.

c. Listing of securities

(in EUR million)	Net carrying amount as at 31/12/2020	Market value as at 31/12/2020	Unrealised capital gain as at 31/12/2020
Listed securities	0	0	0
Unlisted securities	285		
TOTAL	**285**		

d. Significant investments

(in EUR million)	Gross carrying amount as at 31/12/2020	Impairment as at 31/12/2020	Net carrying amount as at 31/12/2020
Listed securities	0	0	0

Unlisted securities (in EUR million)	Gross carrying amount as at 31/12/2020	Impairment as at 31/12/2020	Net carrying amount as at 31/12/2020	% interest in capital	Interest in capital as at 31/12/2020	Last balance sheet date
TOTAL	**3,276**	**(2,991)**	**285**			
of which:						
DEXIA HOLDINGS Inc.	2,283	(2,283)	0	100,00 %	(79)	31/12/20
DEXIA CREDIOP	776	(701)	75	100,00 %	646	31/12/20
DEXIA FLOBAIL	197	0	197	100,00 %	29	31/12/20
DEXIA CLF REGIONS BAIL	8	0	8	100,00 %	37	31/12/20

2.8. Intangible assets (item VIII - assets)

Detailed analysis and movements for the year

(in EUR million)	Start-up costs	Other intangible assets	Total
GROSS CARRYING AMOUNT AS AT 31/12/2019	**0**	**167**	**167**
Movements of the year:			
• increases	0	9	9
• decreases	0	(8)	(8)
• other	0	0	0
• translation adjustmens	0	0	0
GROSS CARRYING AMOUNT AS AT 31/12/2020	**0**	**168**	**168**
Amortisation and impairment as at 31/12/2019	**0**	**(140)**	**(140)**
Movements for the year:			
• charges	0	(9)	(9)
• recoveries	0	0	0
• other	0	0	0
• translation adjustments	0	0	0
Amortisation and impairment as at 31/12/2020	**0**	**(149)**	**(149)**
NET CARRYING AMOUNT AS AT 31/12/2020	**0**	**19**	**19**

Intangible assets primarily include software purchased and in-house software development costs that have been capitalised.

2.9. Tangible fixed assets (item IX - assets)

Detailed analysis and movements for the year

(in EUR million)	Land and buildings	Fixtures, equipment, furniture and vehicles	Other tangible non-current assets	Assets under construction and prepayments	Total
COST AS AT 31/12/2019	**0**	**0**	**11**	**0**	**11**
Movements of the year:					
• increases	0	0	1	0	1
• decreases	0	0	0	0	0
• other	0	0	0	0	0
• translation adjustmens	0	0	0	0	0
COST AS AT 31/12/2020	**0**	**0**	**12**	**0**	**12**
AMORTISATION AND IMPAIRMENT AS AT 31/12/2019	**0**	**0**	**(9)**	**0**	**(9)**
Movements for the year:					
• charges	0	0	(1)	0	(1)
• recoveries	0	0	0	0	0
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
AMORTISATION AND IMPAIRMENT AS AT 31/12/2020	**0**	0	**(10)**	**0**	**(10)**
NET CARRYING AMOUNT AS AT 31/12/2020	**0**	**0**	**2**	**0**	**2**

2.10. Other assets and accruals (items XIII and XIV - assets)

Detailed analysis of other assets and accruals

(in EUR million)	As at 31/12/2019	As at 31/12/2020
OTHER ASSETS		
Premiums paid on swaptions issued	0	0
Premiums paid on options	0	0
Guarantee deposits paid[1]	22,203	23,107
Tax receivables[2]	3	21
Deferred tax assets	0	0
Other non-current financial assets	0	0
Other	13	10
TOTAL OTHER ASSETS	22,219	23,138

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivatives markets.
(2) A claim for refund of EUR 20 million of tax receivables has been filed with the Spanish tax Authorities in 2020, in the context of the liquidation of DCL Madrid.

(in EUR million)	As at 31/12/2019	As at 31/12/2020
ACCRUALS		
Premiums and deferred charges on borrowings	82	35
Premiums on loans and other deferred charges on loans	101	91
Premiums and deferred charges on hedging transactions	944	2,326
Premiums and deferred charges on trading transactions	1,335	470
Accrued income on hedging transactions	572	471
Accrued income on trading transactions	351	249
Unrealised translation losses	161	0
Other accrued income	267	34
TOTAL ACCRUALS	3,813	3,676

2.11. Analysis of assets by currency

Classification by original currency

(in EUR million)	As at 31/12/2020
In EUR	52,071
In other EU currencies	0
In all other currencies	31,979
TOTAL ASSETS	84,050

3. Notes to the liabilities and equity

3.1. Interbank borrowings and deposits (item II - liabilities and equity)

a. Accrued interest

(in EUR million)	0

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	118	85	85	0	0	0
Term deposits	11,138	6,264	3,072	1,376	639	1,177
TOTAL	11,256	6,349	3,157	1,376	639	1,177

3.2. Customer deposits (item III - liabilities and equity)

a. Accrued interest

	(3)

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	29	0	0	0	0	0
Term deposits	1	6,310	5,710	599	0	1
TOTAL	30	6,310	5,710	599	0	1

c. Analysis by type of issuer, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Public sector	29	0
Other sectors	1	6,310
TOTAL	30	6,310

3.3. Debt securities (item IV - liabilities and equity)

a. Accrued interest

(in EUR million)	198

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2019	As at 31/12/2020	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	60,203	56,000	6,722	15,901	28,723	4,654
Debt securities	2,291	0	0	0	0	0
TOTAL	62,494	56,000	6,722	15,901	28,723	4,654

As at 31 December 2020, Dexia Crédit Local's issues are covered by the State guarantee mechanism for EUR 55,4 billion.

c. Analysis by type of security and movements for the year, excluding accrued interest

(in EUR million)	Interbank and other negotiable debt securitites	Debt securities	Securities borrowings	Total
AS AT 31/12/2019	60,203	2,263	28	62,494
Movements for the year:				
• new issues	19,985	0	0	19,985
• redemptions	(23,234)	(1,364)	(28)	(24,626)
• translation adjustments	(954)	27	0	(927)
• other[1]	0	(926)	0	(926)
AS AT 31/12/2020	56,000	0	0	56,000

(1) As at 31 December 2020, the debt representing the value of the borrowed securities, amounting to EUR 1,009 million and figuring at this item as at 31 December 2019, is deducted from the value of the borrowed securities in the item "other liabilities" at 3.4.

3.4. Other liabilities and accruals (item V and VI - liabilities and equity)

Details of other liabilities and accruals

Accruals and other liabilities (in EUR million)	As at 31/12/2019	As at 31/12/2020
OTHER LIABILITIES		
Guarantee deposits received[1]	3,723	3,755
Premiums on options sold	0	0
Representative debt of the value of the securities borrowed[2]	0	0
Other creditors	16	23
TOTAL OTHER LIABILITIES	3,739	3,778
ACCRUALS		
Deferred income on loans	117	62
Discounts recognised on purchase of receivables	2	5
Deferred income on hedging transactions	2,770	3,067
Deferred income on trading transactions	961	670
Deferred gains on hedging contracts	0	0
Accrued charges on hedging transactions	619	495
Accrued charges on trading transactions	415	330
Unrealised translation gains	223	760
Other deferred income	1	0
Other accrued charges	77	67
Other accrued liabilities	1,944	1,636
TOTAL ACCRUALS	7,129	7,092

(1) Guarantee deposits received correspond mainly to cash collateral received
(2) As at 31 December 2020, this item includes the representative debt of the value of the borrowed securities, after deduction of the value of identical securities classified by Dexia Crédit Local among Held for trading in this item "Bonds and other fixed-income securities" (item V of the assets) and up to the amount of the debt. The value of these securities, which are deducted from the debts of securities borrowed, amounts to EUR 1,009 million.

3.5. Provisions for risks and charges (item VII - liabilities and equity)

(in EUR million)	As at 31/12/2019	Charges	Recoveries	Translation adjustments	As at 31/12/2020
PROVISIONS FOR RISKS AND CHARGES	733	1,091	(989)	(45)	790
Pensions and similar commitments	1	0	(1)	0	0
Financing commitments	43	20	0	0	63
Other financial instruments[1]	587	1,036	(965)	(47)	611
Other risks and charges[2]	102	35	(23)	2	116
PROVISIONS FOR DEFERRED TAXES	0	0	0	0	0
REGULATED PROVISIONS	0	0	0	0	0
Provisions for medium and long-term loans	0	0	0	0	0
Provisions for accelerated tax depreciation	0	0	0	0	0
Provisions for investments	0	0	0	0	0
TOTAL	733	1,091	(989)	(45)	790

(1) Provisions for risks on other financial instruments are presented in note 2.5 d for the breakdown by type of portfolio.
(2) Other provisions for risks and charges in 2020 primarily include a provision relating to the loan desensitisation activity for EUR 68 million.

3.6. Subordinated debt (item VIII - liabilities and equity)

a. Accrued interest (in EUR million)

(in EUR million)	0

b. Movements for the year, excluding accrued interest

(in EUR million)	Total
AS AT 31/12/2019	**56**
Movements of the year:	
• new issues	0
• redemptions	0
• translation adjustments	0
• other movements	0
AS AT 31/12/2020	**56**

c. Details of individual subordinated borrowings

Currency	Maturity	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	No fixed maturity	56.3	a) Early repayment possible at each due date for interest payments with effect from 18/11/2015 after approval by the French Prudential Control Authority[1]	Fixed rate 4.30 from 2015 EURIBOR 3M + 1.73
			b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	
			c) No conversion	

(1) Prohibition to pay discretionary coupons on T1 Hybrids following the resolution plan approved by the European Commission on 28/12/2012.

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3.7. Equity

Detailed analysis of equity

(in EUR million)	Amount
AS AT 31/12/2019:	
Capital stock	279
Additional paid-in capital	2,588
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	617
Translation adjustments	(264)
Net loss for the year	393
Interim dividends	0
EQUITY AS AT 31/12/2019	**3,663**
Movements for the year:	
Capital stock	0
Additional paid-in capital	0
Commitments to increase capital stock and additional paid-in capital	0
Reserves and retained earnings(1)	393
Legal reserve	0
Non-distributable reserve	0
Translation adjustments	264
Dividends paid (-)	0
Net loss for the year	(447)
Other movements	(393)
AS AT 31/12/2019	
Capital stock	279
Additional paid-in capital	2,588
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	1,010
Translation adjustments	0
Net profit for the year(2)	(447)
Interim dividends	0
EQUITY AS AT 31/12/2020	**3,480**

(1) The Ordinary General Meeting on 19 May 2020 resolved to allocate the EUR 393 million gains for 2019 to retained earnings, bringing the latter to EUR 1,010 million.
(2) A proposal was submitted to the ordinary shareholders' meeting on 18 May 2021 to allocate the net profit for the year to retained earnings.

3.8. Analysis of liabilities and equity by currency

Classification by currency of origin (in EUR million)	**As at 31/12/2020**
In EUR	51,971
In other EU currencies	0
In all other currencies	32,079
TOTAL LIABILITIES AND EQUITY	**84,050**

3.9. Other notes to the balance sheet

Transactions with related parties – Analysis by type

(in EUR million)			Total	Of which, related parties[1]
Assets	Items III and IV	Interbank loans and advances and Customer loans and advances	26,880	10,894
	Items V, VI and VII	Securities held	12,505	2,026
	Items XIII and XIV	Other assets and accruals	26,814	235
Liabilities	Items II and III	Interbank borrowings and deposits and customer deposits	12,656	330
	Items IV	Debt securities	56,198	0
	Items VIII	Subordinated debt	56	0
	Items V and VI	Other liabilities and accruals	10,870	63

(1) Related parties correspond to those from the Dexia Group's consolidation scope.

4. Notes to the off-balance sheet items

4.1. Financing commitments given (item I - off balance sheet)

This item includes financing commitments given and commitments given on securities and on loaned foreign currencies. Financing commitments on loans include lines of credit approved but not disbursed as at 31 December 2020.

Analysis by type of beneficiary

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Commitments to credit institutions	667	1 613
Commitments to customers	1,180	828
Currencies lent but not yet delivered	0	0
TOTAL	**1,847**	**2,441**

4.2. Guarantee commitments given (item II - off-balance sheet)

a. Analysis by type of beneficiary

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Commitments to credit institutions	1,703	1,566
Commitments to customers	1,909	1,497
TOTAL	**3,612**	**3,063**

b. Analysis by type of transaction

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Guarantee commitments given:		
• guarantees	3,612	3,063
• endorsements	0	0
• liens on assets	0	0
TOTAL	**3,612**	**3,063**

c. Contingent liabilities and risks and losses not quantifiable at the date of preparation of the financial statements

Upon completion of these financial statements, there were no contingent liabilities, risks or losses that were not quantifiable.

4.3. Assets pledged as collateral (item III - off-balance sheet)

(in EUR million)	As at 31/12/2019[1]	As at 31/12/2020[1]
As collateral for debts and commitments of the company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	26,040	20,961
TOTAL	**26,040**	**20,961**

(1) Carrying amount of the assets pledged.

4.4. Financing and guarantee commitments received (item IV and V - off-balance sheet)

These items include all financing commitments and guarantees received from credit institutions, and commitments received on securities and foreign currency borrowings.

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Financing commitments received from credit institutions	5,676	5,985
Currencies borrowed but not yet received	0	0
Guarantees received from credit institutions	1,635	1,115
Guarantees received from local authorities or claims on local authorities acquired as guarantees	1,853	1,401
Other commitments received	7,471	5,629
TOTAL	**16,635**	**14,130**

4.5. Commitments related to securities (item VI - off-balance sheet)

a. Analysis by type of transaction

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Purchases		
• spot	0	0
• forward	0	0
Sales		
• spot[1]	0	192
• forward	0	0
TOTAL	**0**	**192**

(1) Commitment to sell loans of EUR 192 million in 2021.

b. Isolated open positions

Unrealised gains on isolated open positions	0

4.6. Commitments related to foreign currency transactions (item VII - off-balance sheet)

Spot and forward currency transactions are presented at their value in their accounting currency, translated at the closing foreign exchange rate at year-end.
The line "Foreign currencies to be received" amounted to EUR 28,942 billion and the line "Foreign currencies to be delivered" to EUR 30,188 billion as at 31 December 2020.

4.7. Commitments related to forward and derivative financial instruments (item VIII - off-balance sheet)

a. Analysis by type of use and instrument

Type of transaction (in EUR million)	As at 31/12/2019	As at 31/12/2020	Hedging		Trading		Fair value as at 31/12/20
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio management	
Foreign currency instruments[1]	30,703	30,188	7,820	13,510	0	8,859	(836)
• forward currency purchases and sales	17,160	13,029	0	13,029	0	0	0
• currency and interest rate swaps	13,543	17,159	7,820	481	0	8,859	(836)
• currency futures	0	0	0	0	0	0	0
• currency options	0	0	0	0	0	0	0
• forward currency agreements	0	0	0	0	0	0	0
Other financial instruments	217,271	204,682	61,526	62,166	496	80,494	(17,865)
Interest rate instruments[2]							
• interest rate swaps	214,465	202,485	59,865	62,166	0	80,454	(17,801)
• futures	289	22	0	0	0	22	0
• forward rate agreements	0	0	0	0	0	0	0
• interest rate options	48	18	0	0	0	18	(177)
Other forward purchases and sales[3]							
• other options	2,469	2,157	1,661	0	496	0	114
• *other futures*	0	0	0	0	0	0	0
• other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	247,974	234,870	69,346	75,676	496	89,353	(18,701)

(1) Amount to be delivered
(2) Face value / notional amount.
(3) Purchase / selling price agreed between the parties

b. Analysis by type of market

Type of transaction (in EUR million)	Over -the-counter market	Organised market	Total as at 31/12/2020
Foreign currency instruments	30,188	0	30,188
Other financial instruments:			
• interest rate instruments	75,745	126,780	202,525
• other forward purchases and sales	2,157	0	2,157
TOTAL	108,090	126,780	234,870

c. Analysis of forward contracts and options

Type of transaction (in EUR million)	Forward contracts	Options	Total as at 31/12/2020
Foreign currency instruments	30,188	0	30,188
Other financial instruments:			
• interest rate instruments	202,485	40	202,525
• other forward purchases and sales	1,391	766	2,157
TOTAL	234,064	806	234,870

d. Analysis by residual maturity

Type of transaction (in EUR million)	Up to 1 year	1 to 5 years	Over 5 years	Total as at 31/12/2020
Foreign currency instruments	15,374	5,846	8,968	30,188
Other financial instruments:				
• interest rate instruments	43,435	59,517	99,573	202,525
• other forward purchases and sales	145	208	1,804	2,157
TOTAL	58,954	65,571	110,345	234,870

e. Off-balance sheet forward transactions, including securities, currencies and other forward and derivative financial instruments

Commitments related to interest rate derivatives are recorded in compliance with ANC Regulation 2014-07:

• forward contracts are carried at the nominal value of the contracts ;

• options are carried at the nominal value of the underlying instrument.

Dexia Crédit Local uses forward financial instruments as part of the three following strategies:

• **Asset liability management**

This includes all transactions intented to cover and manage the total interest rate exposure of the Company. ALM is carried out primarily through the use of swaps and futures contracts.

• **Specific hedging**

Hedges are used to cover interest rate risks on a specific item or a group of items with similar characteristics, identified at the outset.

Intruments meeting this definition consist primarily of swaps acquired as micro hedges of primary issues, bonds in the available for sale or held to maturity portfolios, and Customer loans. The hedging instruments have the effect of creating synthetic variable or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Foreign currency swaps are also classified as hedges when they are used to transform sources of funding in one currency into the currency used in the transactions they finance in the goal of reducing currency risk.

• **Position management**

The position management strategy includes two types of activities:

– specialist trading portfolio management;

– position-taking.

The specialist trading portfolio management activity includes all transactions entered into with local authorities and the symmetrical

transactions executed with banking counterparties. The transactions include primarily interest rate swaps. Specialised duration management is employed for the transactions included in this activity.

Derivatives held in the position-taking portfolio are intented to keep isolated open positions in order to take advantage of any favourable movements in interest rates or exchange rates. These transactions include primarily interest rate swaps and forward foreign exchange transactions.

f. Risk monitoring

Risk is measured by the Risk Management department. The main risk indicator used by Dexia Crédit Local, and throughout the entire Dexia Group, is VaR. The VaR calculated by the Dexia Group measures the potential loss over a 99% confidence interval over a 10-day period. The risk management system consists of allocating to each entity, and for each type of financial market activity, the following items:

• a list of foreign currencies and transactional structures likely to be used;

• a VaR limit.

4.8. Transactions with related parties

Analysis by type

(in EUR million)			Total	Of which, related parties[1]
Off-balance sheet	Item I	Financing commitments given	2,441	1,981
	Item II	Guarantee commitments given	3,063	1,523
	Item IV	Financing commitments received	5,985	0
	Item V	Guarantee commitments received	8,145	0
	Items III, VI, VII et VIII	Other commitments given and received	285,915	530

(1) Related parties are entities included within the consolidation scope of the Dexia Group.

5. Notes to the income statement

5.1. Interest income and interest expense (items I and II - income statement)

(in EUR million)		As at 31/12/2019	As at 31/12/2020
INTEREST INCOME ON:			
Interbank loans	(a)	128	106
Customer loans and advances	(b)	877	686
Bonds and other fixed-income securities	(c)	1,429	323
Macro hedging transactions	(d)	1,346	685
TOTAL INTEREST INCOME		**3,780**	**1,800**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(390)	(244)
Customer deposits	(b)	(277)	(233)
Bonds and other fixed-income securities	(c)	(1,070)	(364)
Macro hedging transactions	(d)	(1 702)	(814)
TOTAL INTEREST EXPENSE		**(3,439)**	**(1,655)**
NET INTEREST EXPENSE		**341**	**145**

a. Interest income and expense on interbank transactions

This item includes EUR 3 million on transactions with related parties.

It also includes an expense relating to the sovereign guarantee amounting to EUR 29 million in 2020 (EUR 32 million in 2019).

b. Interest income and expense on customer transactions

Interest income and expense on customer loans and deposits represented a net amount of EUR 453 million.

It also includes EUR 217 million in income from financing commitments and guarantees.

c. Interest income and expense on bonds and other fixed-income securities

The heading includes EUR 323 million in accrued interest on bonds and other fixed-income securities, amortisation of discounts and premiums on held-to-maturity and available-for-sale securities, and the related hedging gains and losses on these securities.

Interest expense amounted to EUR -364 million for Dexia Crédit Local.

In addition to interest expense on bonds and other fixed-income securities, the heading also includes interest rate hedging gains and losses on specifically identified negotiable debt, bond and subordinated debt issues.

d. Income and expense on macro-hedging transactions

IIncome and expense on macro-hedging transactions amounted to EUR 685 million and EUR -814 million respectively.

5.2. Income from variable-income securities (item III - income statement)

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Related parties(1)	160	0
Other related parties and long-term investments	8	0
Equities and other variable-income securities	0	1
TOTAL	**168**	**1**

(1) The EUR 160 million corresponds to the payment of a dividend by Dexia Kommunalbank Deutschland.

5.3. Analysis of fees and commissions (items IV and V - income statement)

a. Analysis of fee and commission income (item IV - income statement)

Type (in EUR million)	As at 31/12/2019	As at 31/12/2020
Loans	1	0
Other financial services	0	0
TOTAL	**1**	**0**

b. Analysis of fee and commission expenses (item V - income statement)

Type (in EUR million)	As at 31/12/2019	As at 31/12/2020
Loans	0	0
Corporate actions	(21)	(8)
Other financial services	(4)	(6)
TOTAL	**(25)**	**(14)**

5.4. Analysis of gains and losses on portfolio transactions (item VI - income statement)

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Gains (losses) on:		
• held-for-trading securities	19	4
• foreign currency transactions	(34)	76
• other financial instruments	(57)	4
Sub-total	**(72)**	**84**
• available-for-sale and similar securities (1)	429	(104)
Sub-total	**429**	**(104)**
• Held-to-maturity securities	(67)	4
Sub-total	**(67)**	**4**
TOTAL	290	(16)

(1) This line includes gains and losses on disposal and charges of recoveries from provisions in respect of the available-for-sale securities, as well as gains and losses on portfolio securities.

Gains and losses on disposal and charges or recoveries from provisions on portfolio securities are as follows:

(in EUR million)	As at 31/12/2019	As at 31/12/2020
• charges to impairment	(714)	(1,949)
• recoveries of impairment	1,299	1 856
Sub-total	**585**	**(93)**
• disposal losses	(2,113)	(528)
• disposal gains	1,957	517
Sub-total	**(156)**	**(11)**
TOTAL	429	(104)

5.5. General operating expenses (item IX - income statement)

a. Detailed analysis

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Personnel costs	**(101)**	**(73)**
• Salaries and wages	(71)	(49)
• Social security	(27)	(25)
• Restructuring cost	(3)	1
Other administrative expenses	**(207)**	**(200)**
• Taxes and duties	2	(9)
• Other administrative expenses	(209)	(191)
TOTAL	(308)	(273)

b. Employee Information

	31/12/2019	As at 31/12/2020
Total employee as at 31 December	**461**	**400**
• executive management	35	40
• other management	358	314
• administrative personnel	68	46
Personnel costs (in EUR million)	**(89)**	**(74)**
• salaries and direct benefits	(58)	(50)
• payroll taxes	(18)	(18)
• other personnel costs	(13)	(6)
Provisions for pensions (in EUR million)	**(12)**	**1**
• recoveries (+)	(14)	(1)
• charges (-)	2	2
TOTAL	(101)	(73)

5.6. Cost of risk (item XI - income statement)

(in EUR million)	Charges and losses	Reversals and recover	Total as at 31/12/2020
Provisions for impairment and losses on loans	(25)	29	4
Provisions for risks	(67)	45	(22)
Regulatory provisions	0	0	0
TOTAL	**(92)**	**74**	**(18)**

The cost of risk is of EUR -18 million in 2020 and includes essentially an increase of general provision of EUR - 20 million related to the deterioration of the macroeconomic scenarios due to the COVID 19 and to the updating of sensitive sectors.

5.7. Net gains (losses) on non-current assets (item XII - income statement)

	As at 31/12/2019		Total as at 31/12/2019	As at 31/12/2020		Total as at 31/12/2020
(in EUR million)	Affiliated entreprises	Others		Affiliated entreprises	Others	
Charges to impairment	(120)	0	(120)	0	0	0
Recoveries of impairment	289	0	289	0	0	0
SUB-TOTAL	**169**	**0**	**169**	**0**	**0**	**0**
Disposal losses[1]	(450)	0	(450)	(264)	0	0
Disposal gains	0	1	1	0	0	0
SUB-TOTAL	**(450)**	**1**	**(449)**	**(264)**	**0**	**0**
TOTAL	**(281)**	**1**	**(280)**	**(264)**	**0**	**0**

(1) The amount of EUR -264 million corresponds to the transit to the income statement of the exchange difference on the historical retained earnings of Dexia Crédit Local New York branch, due to its cloing.

5.8. Other banking income and expenses

a. Other banking income (item VII - income statement)

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Other banking income	1	1
Other miscellaneous income	2	0
TOTAL	**3**	**1**

b. Other banking expenses (item VIII - income statement)

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Other banking expenses	0	0
Other miscellaneous expenses	0	0
TOTAL	**0**	**0**

5.9. Non-recurring items (item XIII - income statement)

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Non-recurring income[1]	2	1
Non-recurring expenses	0	0

(1) Liquidation bonus on economic interest grouping topic.

5.10. Corporate income tax (item XIV - income statement)

a. Analysis of tax expense

(in EUR million)	As at 31/12/2019	As at 31/12/2020
Corporate income tax(1)	(33)	1
Deferred taxes	1	0
TAXES ON NET INCOME FOR THE YEAR (A)	**(32)**	**1**
Provisions for tax litigation (B)	55	0
TOTAL (A) + (B)	**23**	**1**

(1) The reversal of the provision relates to a tax dispute in 2013, for which the charge appears in 2019 in "Corporate income tax" and a part of the tax control has been abandoned by the tax authorities.

In 2020, the tax rate used for France was 25.825%.
The tax rate applicable to foreign branches is generally lower.

In the light of Dexia Crédit Local's position and the likelihood of its ability to recover deferred taxes, deferred taxes have been accrued.

c. Tax consolidation

The Dexia établissement stable(Dexia ES) in France has been head of the tax consolidation group that includes Dexia Crédit Local since 2002.

An amendment to the tax convention between Dexia ES and Dexia Crédit Local, signed in 2011, now allows the tax savings generated by Dexia Crédit Local and its subsidiaries to be reallocated to Dexia Crédit Local.

5.11. Financial relationships with members of the Management Board and the Board of Directors

(in EUR million)	
COMPENSATION PAID TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF THEIR FUNCTIONS WITHIN THE COMPANY AND ITS SUBSIDIARIES AND ASSOCIATED COMPANIES	
Management Board	3
Board of Directors	0
TOTAL	**3**
AMOUNT OWED, CONTINGENT LIABILITIES IN THEIR FAVOUR AND OTHER MATERIAL COMMITMENTS UNDERWRITTEN IN THEIR FAVOUR	
Management Board	0
Board of Directors	0
TOTAL	**0**

5.12. Analysis by geographical region and line of business

	As at 31/12/2020		
(in EUR million)	Net banking income (loss)	Gross operating income	Net income (loss)
France	46	(213)	(494)
Foreign branches	71	46	47
TOTAL	**117**	**(167)**	**(447)**

6. Subsidiaries and equity investments as at 31 december 2020

Company	Capital Stock	Additional paid-in capital, reserves and retained earnings	Revenue or net banking income (loss) for last fiscal year	Net income (loss) for last fiscal year
1 - DETAILS OF SUBSIDIARIES AND EQUITY INVESTMENTS WHOSE CARRYING AMOUNT EXCEEDS 1% OF DEXIA CRÉDIT LOCAL'S CAPITAL STOCK				
A - SUBSIDIARIES (50% TO 100% OF EQUITY)				
(en EUR)				
Dexia Crediop Via Venti settembre N. 30 I00187 Roma	645,210,000	243,070,858	(191,921,717)	(241,885,614)
Dexia Holdings INC.[(1)] 445 Park Avenue, 7th floor NY 10022 New York	2,150,242,401	(2,230,623,203)	2,310,656	1,079,356
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2,92913 La Défense	197,100,166	(169,691,995)	(1,852,098)	1,316,791
Dexia CLF Régions Bail 1 Passerelle des Reflets - Tour Dexia La Défense 2,92913 La Défense	7,625,000	25,872,903	2,636,372	3,965,454

(1) Companies that produce financial statements only under IFRS.

2 – GENERAL INFORMATION				
A - OTHER SUBSIDIARIES NOT INCLUDED IN SECTION 1-A				
- French companies				
- Foreign companies				
B - OTHER SUBSIDIARIES AND EQUITY INVESTMENTS WHERE EQUITY IS LESS THAN 10%				
- French companies				
- Foreign companies				

Interest in equity (%)	Carrying amount of stock		Dividends received by Dexia Crédit Local during the fiscal year	Loans and advances granted by Dexia Crédit Local	Guarantees given by Dexia Crédit Local	Activity
	Gross	Net				
100,00%	776,223,585	75,000,000	0	4,722,300,273	2,027,355,221	Bank, credit institution
100,00%	2,283,076,144	0	0	101,808,112	0	Holding company
100,00%	197,111,054	197,111,054	0	219,082,797	873,777,026	Lease financing of local investments
100,00%	7,941,401	7,941,401	0	342,041,633	233,504,008	Real estate leasing
	1,317,717	237,496	0	227,955,677	2,643,650	
	2,513,281	465,485		0	0	
	8,446,639	4,545,199	316,366	143,907,361	11,112,026	
	0	0	0	0	0	

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For the year ended December 31, 2020

To the shareholders' meeting of Dexia Crédit Local,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we conducted our audit of the Dexia Credit Local financial statements for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company and of the results of its operations for the year then ended in accordance with French accounting principles.

The following audit opinion is consistent with our report to the Audit Committee

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Without qualifying the above opinion, we draw your attention to the change in accounting method arising from the adoption of regulation 2020-10 of the French Accounting Standards Authority (Autorité des Normes Comptables) as described in Note 1.4.a to the financial statements.

Justification of Assessments – Key Audit Matter

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the financial statements for the year, as well as our responses to these risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

The ability to continue as a going concern used for the preparation of the financial statements *(We refer to Notes 1.2, 1.3 and 1.4 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
Dexia Credit Local'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 December 28, 2012. This plan, further reassessed by the Board of Directors of Dexia Credit Local of December 14, 2020, is based, among others, on the following assumptions: – the macro-economic assumptions underlying the business plan are revised as part of general biannual reviews, 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 a "central" macro-economic scenario based on the ECB reference scenario; – the business plan assumes that the Dexia Crédit Local banking license and the Dexia Crédit Local credit rating will be maintained at a level equivalent to or greater than Investment Grade level; – 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 Credit Local's capacity to raise secured borrowings; – the renewal of the guarantee by the Belgian and French States, as from January 1, 2022, in accordance with the approval of the European Commission, dated September 27, 2019. A law validating this extension was passed in France on December 29, 2020 and a bill, approved by the Council of Ministers, will be submitted to the Belgian Federal Parliament for approval; – finally, Dexia Crédit Local is sensitive to changes in its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads. A negative change in these parameters in the long term could weigh heavily on the Group's liquidity and solvency. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, whose changes in fair value, recognized in income or equity, may result in a change in the level of the Group's regulatory capital. 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, as mentioned in the Note 1.2 to the financial statements. There are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of Dexia Credit Local operations over the duration of the resolution, such as: – conditions of access to Eurosystem facilities after 2021; – new accounting or prudential rules not yet known to Dexia Crédit Local management; – the future organizational and legal structure of the Dexia Crédit Local Group. However, at this stage, group management believes that these uncertainties do not call into question the fundamentals of the resolution and the preparation of the consolidated financial statements on a going concern basis is appropriate in accordance with IAS 1. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption for the preparation of the financial statements for the year ended December 31, 2020 to be a key audit matter.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of Dexia Crédit Local 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 well as the elements used to justify the assessment and the underlying documentation. We implemented the following procedures in accordance with professional standard NEP 570 "Going concern": – through discussion with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia; – we assessed the design and implementation of the internal control process with regard to liquidity projections; – we have considered the main regulatory ratios as of December 31, 2020 (Liquidity Coverage Ratio, Common Equity Tier 1) in light of the requirements applicable at that date to the Dexia Group. – we have inquired of management about the latest underlying assumptions to the revised business plan, based on end of June 2020 data and validated by the Board of Directors on December 14, 2020; – we have considered the quarterly reports on the funding strategy and operational continuity, prepared by Dexia Crédit Local as requested by its supervisory authorities and the correspondence with these authorities; – Concerning the global crisis due to the Covid-19 pandemic, we have taken note of Management's assessment on its effects on the continuity of Dexia Crédit Local. Finally, we assessed the appropriateness and relevance of the disclosures on going concern in the notes to the financial statements, including the uncertainties surrounding the main assumptions underlying the preparation of the financial statements on a going concern basis.

Operational risks linked to information systems *(We refer to Note 1.2 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
As a banking group, Dexia Credit Local is dependent, for its operational activities, on the reliability and security of its information systems. Its activities take 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 December 28, 2012. In this context, and in order to ensure operational continuity, Dexia Credit Local 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. Due to the global crisis relating to the Covid-19 pandemic, all employees were also required to work from home to ensure business continuity. The measures adopted by the Group exposed it to new risks, particularly relating to the opening of information systems in order to secure remote access to transaction processing applications. 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 to be 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; – examining the way Dexia Credit Local 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 in a context marked by the Covid-19 health crisis and the need for the Group's employees to work from home (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; – performing detailed procedures on manual journal entries, related to write access rights, and reviewing journal entries and their documentation; – understanding the control and supervision framework currently deployed by Dexia Crédit Local related to the key services rendered by the external service provider in the context of the outsourcing; – reviewing the governance set up by the Group to guarantee the resilience of information systems in the context of the Covid-19 health crisis. Finally, we have reviewed the disclosures in the notes to the Financial Statements on the operational risks with relation to the information systems.

Assessment of credit risk and evaluation of impairment *(We refer to Notes 1.2, 1.4, 2.3, 2.4, 3.5 and 5.6 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
Dexia Crédit Local is exposed to credit risk due to the inability of its clients to meet their financial obligations. The evaluation of credit risk requires the use of judgment by management, particularly in the context of uncertainty surrounding the global crisis due to the Covid-19 pandemic. Once identified, the risk results in the accounting recognition of impairment for the related assets and provisions for the related off-balance sheet loan commitments. Firstly, Dexia Crédit Local determines specific impairment and provisions based on an estimation of the individual risk of non-recoverability and of the loss given default. In addition, in the economic context marked by the Covid-19 health crisis, for asset portfolios considered as sensitive, placed on a watch list and on which no specific impairment is recognized, or for assets with an identified incurred sectorial risk, collective provisions are determined based on statistical models including professional judgment in the different stages of the calculation, especially for the definition of homogeneous asset portfolios and for the determination of the risk parameters used in the impairment models. As of December 31, 2020, the gross amount of impaired doubtful and doubtful debts was €429 million, while specific impairment amounted to €124 million and collective provisions to €63 million. Finally, the cost of risk of Dexia Credit Local was a net charge of €18 million. We considered that the assessment of the credit risk and the evaluation of impairment in a context marked by the Covid-19 crisis to be a key audit matter as they require judgement and estimates by management.	We have reviewed the adequacy of the control process related to credit risk and tested the operating effectiveness of the key controls implemented by the management. The key controls are related to the identification and monitoring of loans and advances to be impaired and of already impaired or restructured loans, to the compliance with the accounting principles defined by Dexia Crédit Local for the estimation of provisions and impairment, to the quality and the traceability of the data, to the calculations and to the data-flow from the management and risk systems to the accounting systems. For the performance of our audit work on the impairment and provisions at the closing date, we have taken into consideration the materially significant single outstanding exposure and/or the most materially significant asset portfolios subject to professional judgment by Dexia Crédit Local during the determination of the impairment and provisions, particularly in the complex and evolving context of the global crisis due to the Covid-19 pandemic. The tests include amongst others: – the identification of single files with objective evidence of credit risk: for a selection of files deemed as sound by the management, we have assessed the level of credit risk; – the estimation of the specific individual impairment losses: we have assessed, for a sample, the assumptions retained by the management in the estimation of the recorded impairment losses; – the estimation of collective provisions: • we have assessed the relevance of methodologies used by Dexia Crédit Local, more specifically the aggregation of assets with similar exposures; • we analyzed the assessment made by Dexia Crédit Local of the impacts of the health crisis on asset classification, particularly the set-up of a collective provision on sensitive exposures to the Covid-19 health crisis; We reviewed the disclosures in the notes to the financial statements, particularly the qualitative and quantitative items relating to the impacts of the global crisis due to the Covid-19 pandemic on credit risk assessment.

Valuation of financial instruments
(We refer to Notes 1.2, 1.4, 2.5, 4.7, and 5.4 to the Financial Statements)

Key Audit Matter	How our audit addressed the key audit matter
In conducting its market activities, Dexia holds financial instruments as assets and liabilities recorded at market value. These instruments are recorded at fair market value estimated by valuation models, for which the parameters are either unobservable nor can be corroborated directly with publicly available market data. The market value is determined according to different approaches depending on the nature and complexity of the instrument: use of directly observable quoted prices, valuation models with predominantly observable parameters or valuation models with largely unobservable parameters. The value calculated may be subject to additional value adjustments to take into account certain specific market, liquidity or counterparty risks. The methods used by Dexia Crédit Local to value these instruments may therefore include a significant part of professional judgment regarding the choice of models and data used. As of December 31, 2020, forward financial instruments represented €234.9 billion in off-balance sheet commitments, and bonds and other fixed income securities totaled €14.3 billion on the assets side of Dexia Credit Local's balance sheet. Due to the significant nature of the outstanding amounts and the use of judgement to determine the market value, we consider that the valuation of financial instruments whose valuation requires the use of unobservable parameters to be a key audit matter.	We have assessed the adequacy of the key controls, defined and implemented by Dexia Crédit Local in the context of the measurement of financial instruments at market value including those relating to: – the governance set up by the risk department to validate and verify valuation models; – the estimation of fair value adjustments: we have assessed amongst others the relevance of the methodologies used, conducted an analytical review of the impacts and examined the reconciliation with the accounting data and assessed the amount of recognized reserves. We have relied on our valuation experts to perform, based on a sample basis: – a review of the substantial reserves recognized for the uncertainty surrounding the valuation models; – an analysis of the relevance of the valuation parameters used; – the independent validation of valuation models. We have assessed the methods of calculation used for calculating and exchanging collateral on financial derivatives and we have analyzed the main differences in valuation with the counterparties in order to support our assessment of the reliability of Dexia Crédit Local's valuation models. Finally, we reviewed the disclosures in the notes to the financial statements relating to the valuation of financial instruments.

Valuation of equity securities, other long-term securities and shares in affiliated companies
(We refer to Notes 1.1, 1.3, 1.4 and 2.7 to the Financial Statements)

Key Audit Matter	How our audit addressed the key audit matter
Equity securities, other long-term securities and shares in affiliated companies are recognized in the balance sheet of Dexia Credit Local for a net book value of €285 million. These securities were recognized at acquisition cost, less expenses. At the year -end, Dexia Crédit Local must check for indications of impairment regarding these securities which are recognized individually at the lower of their acquisition cost or value in use. The value in use represents what the company would agree to pay out to obtain these shares if it had to acquire them, considering its holding objective. It is mainly determined using a method of discounting future cash flows. When the value in use of the securities is lower than the net book value, an impairment loss is then recorded, equal to the amount of the difference. Furthermore, an additional contingency provision is recorded when the company is required to cover losses over and above its capital contributions. In addition: – On September 8, 2020, Dexia Crédit Local finalized the acquisition of the remaining shares of Banco BPM SpA and BPER Banca SpA in Dexia Crediop. Following this transaction, Dexia Crédit Local now owns 100% of its Italian subsidiary; – On December 11, 2020, Dexia Crédit Local increased Dexia Crediop's equity via a share capital increase for €75 million fully subscribed by Dexia Crédit Local, and granted a 5-year subordinated loan of €25 million. Given the sensitivity of the model used to variations in the data and assumptions on which the estimates are based, we have considered the valuation of these securities to be a key audit matter.	With the help of our business valuation experts, our work mainly consisted in: – Assessing the justification of the valuation methods and figures used by management to determine the values in use; – Assessing the relevance of the cash flow forecasts in relation to the most recent update of the orderly resolution plan approved by the Board of Directors on December 14, 2020 and key assumptions such as the discount rate; – Testing the mathematical accuracy of the value in use calculations adopted by the company. In the specific case of Dexia Crediop, we reviewed (i) the purchase of the remaining shares of minority shareholders, as well as (ii) the impacts of the share capital increase on the valuation of securities in the Dexia Crédit Local financial statements. Finally, we reviewed the disclosures on equity securities, other long-term securities and shares in affiliated companies in the notes to the financial statements.

Specific Verifications

We have also carried out, in accordance with professional standards applicable in France, the specific verifications required by legal and regulatory texts.

Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors dated March 25, 2021 and in the other documents addressed to the shareholders with respect to the financial position and the financial statements, with the exception of the point below:

– The fair presentation and the consistency with the financial statements of the information relating to the payment periods mentioned in Article D.441-6 of the French Commercial Code call for the following comment: as indicated in the management report, this information does not include banking and related transactions, as your Company considers that they do not fall within the scope of the information to be produced.

Report on corporate governance

We certify that the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code has been included in the section of the Board of Directors' management report devoted to corporate governance.

Other Legal and Regulatory Verifications or Information

Format of presentation of the financial statements to be included in the annual financial report

Pursuant to paragraph III of Article 222-3 of the AMF General Regulations, the Company’s Management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of December 17, 2018, to reporting periods beginning on or after January 1, 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) with this format.

Appointment of the statutory auditors

We were appointed statutory auditors of Dexia Credit Local by the Shareholders’ Meeting of May 16, 2008 for Deloitte & Associés and June 28, 1996 for Mazars.
As of December 31, 2020, Deloitte & Associés was in its 13th year of uninterrupted engagement and Mazars in its 25th year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.
The Audit Committee is in charge of the financial reporting process and monitoring the effectiveness of the internal control and risk management systems and, where applicable, the internal audit with respect to concerns procedures relating to the preparation and processing of accounting and financial information.
The annual financial statements have been approved by the Board of Directors.

Statutory Auditors’ Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of your Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains 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 internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses 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. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris la Défense, April 14, 2021

The Statutory Auditors

MAZARS

Laurence KARAGULIAN   Virginie CHAUVIN

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

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General information

Legal and administrative information

1. Regarding the company

Company history	Dexia Crédit Local was one of the three principal entities of the Dexia Group, the Franco-Belgian financial group created in 1996 through the merger of Crédit Local de France and Crédit Communal de Belgique, two credit institutions specialised in the financing of local governments and participants in local economies. Dexia Crédit Local, set against the major restructuring of the Group and the implementation of the Group's orderly resolution plan, is the main subsidiary of the Dexia Group.
Corporate name **Trade name**	As specified in its by-laws, the Company's corporate name is Dexia Crédit Local. The Company uses the trade name Dexia.
Country of origin **Incorporation date and term**	The country of origin of the Company is France. It was incorporated in Paris on 28 August 1989 for a term of 99 years.
Registration number	The Company is registered with the Clerk of the Commercial Court of Nanterre under no. 351 804 042, and its APE business identifier code is 6492Z.
Registered office	Since 1 March 2007, the Company's registered office and principal place of business has been located at: Tour CBX La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense, France (tel: +33 1 58 58 77 77).
Legal form **Applicable legislation**	Legal form Applicable legislation Dexia Crédit Local is a French limited company (société anonyme) with a Board of Directors, as governed by Articles L.225- 17 et seq. of the French Com-mercial Code and Article L.511-1 of the French Monetary and Financial Code.
Business purpose	The purposes for which the Company is established are: • to conduct in France and abroad any and all credit operations promoting local development, including notably public services and facilities, mainly for the benefit of local governments and public-sector corporations, local government-backed agencies, local semi-public companies, concessionary public service companies and, more generally, agencies carrying out develop-ment and housing schemes, or which have entered into an agreement with a local govern-ment for the construction or management of local public facilities; • to carry out, for the benefit of the above parties, insurance brokerage activities and any advisory and assistance work in matters of financial management, financial engineering and, more generally, to offer any and all services to facilitate their financial management subject to the legislative provisions relating to the exercise of certain regulated professions; • to receive cash deposits from local governments and local public entities in accordance with the regulations applicable to such bodies; • to hold the funds lent to customers, pending their use; and • to issue debt securities in France and abroad in order to fund the Company's lending operations. For this purpose, the Company may: • create subsidiaries; • hold shares in companies whose activities are likely to facilitate the achievement of the Company's business purpose; • create and manage guarantee funds to ensure repayment of loans made to the agencies mentioned in the first paragraph of this section. The Company may also carry out any and all transactions falling within the scope of its busi-ness purpose on behalf of agencies and institutions set up to serve the public interest.

Fiscal year	The Company's fiscal year begins 1 January and ends 31 December.
Appropriation of net income	Net income for the year, less any prior-year losses and the appropriations provided for in Article 37 of the by-laws (5% for the legal reserve prescribed by law) plus any retained earnings, is available for distribution to shareholders. The shareholders' meeting determines the fraction of income available for distribution to be paid out to shareholders in the form of dividends, based on the recommendations of the Board of Directors. The balance of income available for distribution, if any, is allocated either to retained earnings or to one or more reserves, by resolution of the Shareholders' Meeting, which also approves the use to be made of said reserves. The shareholders' meeting may also resolve to pay dividends out of distributable reserves; in this case, the related resolution must clearly indicate from which reserves the dividends are to be taken. Insofar as possible, dividends are, however, taken first from distributable income for the period. The terms and conditions for payment of dividends are set by the share-holders' meeting or, failing that, by the Board of Directors, but dividends must be paid within nine months of the fiscal year-end, unless this period is extended by order of the President of the French Commercial Court ruling on an application by the Board of Directors. Notwithstanding the foregoing, and in the cases provided for by applicable legislation, the Board of Directors is authorized to pay interim dividends to be deducted from the total dividends for the year just ended or the current year, prior to the approval of the related financial statements. The amounts and payment dates of such interim dividends will be decided by the Board of Directors. When the final dividend is set, the shareholders' meeting will be responsible for verifying that the provisions of the above-mentioned paragraph have been fully complied with in respect of the total dividend (including any interim dividend).
Shareholders' meetings	**Notice of shareholders' meetings** Shareholders' meetings are called in accordance with applicable regulations. They are conducted at the Company's registered office or any other location mentioned in the meet-ing notice. All shareholders are entitled to obtain copies of the documents they need to be able to make informed decisions and to make a reasoned assessment of the management and control of the Company. The types of documents concerned and the rules governing their transmission to or consul-tation by shareholders are prescribed by law and all applicable regulations. **Right to attend shareholders' meetings** All shareholders are entitled to attend shareholders' meetings upon presentation of proof of identity, provided that their shares are fully paid-up. Shareholders may choose to be represented by another shareholder. Proxies should be filed at the registered office at least five days before the shareholders' meeting. **Voting rights** Shares carry voting rights based on the proportion of capital represented. Each share entitles the owner to one vote. Each person present at the shareholders' meeting is entitled to exercise one vote for each share held and for each share for which he or she holds a proxy.
Place where Company's legal documents may be viewed **Responsibility for information**	All documents and information concerning the Company may be consulted at its registered office. Please address any requests to: Pierre Crevits, Chief Executive Officer Véronique Hugues, Executive Vice-President (+33 1 58 58 69 39).

2. Outlook[1]

Recent events	Since its entry into orderly resolution in 2011, Dexia Crédit Local has been implementing a proactive strategy of reducing business and the balance sheet through the sale of its commercial franchises and asset portfolios. The year 2020 was strongly marked by the Covid-19 pandemic which resulted in a health and economic shock of extraordinary magnitude. In addition to the operational aspects, this unprecedented crisis has had multiple repercussions on Dexia Crédit Local's organisation, business and results. In this challenging context Dexia Crédit Local nevertheless continued actively to manage its balance sheet and off-balance sheet, despite a slowdown at the height of the crisis. In addition, the bank's funding was carried out smoothly and without recourse to central bank refinancing, in line with the strategy deployed since 2017.
Trends	Subject to the risks and contingencies identified in the present Reference Document, the Dexia Group and Dexia Crédit Local in particular will be moving forward with the implementation of the principles set out in the Group's revised orderly resolution plan, as approved by the European Commission on 28 December 2012. Dexia Crédit Local no longer has any commercial activities in it previous markets, including the public sector financing. After having sold the main part of its commercial franchises, the Group will focus now on the run-off management of outstanding loans, using the guarantee mechanism from the abovemen-tioned States, and the desensitising of sensitive structured loans.
Control	To the best of the Company's knowledge, no agreement exists – including under the terms of the restructuring plan in effect – whose implementation could, at a later date, bring about a change in its control.
Legal and arbitration proceedings	Readers are invited to refer to the text presented on page 28 of this annual report concerning litigations.
Material changes	Since the last fiscal year for which audited financial statements have been published, the Dexia Group continued the implementation of its orderly resolution plan. In this context, it proceeded with the sale of some of its commercial franchises.
Major contracts	The Company currently has no material contracts (other than those entered into as part of the normal course of its business) that may give any member of the Group a right or obligation with a material impact on its ability to fulfil its obligations to holders of issued securities.

(1) The forward-looking elements presented in this section must not be interpreted as guarantees that the forward-looking information will prove accurate or that the desired results will be achieved. The forward-looking statements include a certain number of risks, which may or may not be known or established, but remain subject to contingencies, notably resulting from changes in the macroeco-nomic environment within which the Dexia Group operates. If they were to materialise, these risks could result in the Group's future development, performance and results being different from the objectives suggested and set out.

Declaration of the person responsible for the annual report

The person responsible for the Dexia Crédit Local registration document (annual report) is:
Pierre Crevits, Chief Executive Officer of Dexia Crédit Local.

Declaration of the person responsible for the annual financial report

I the undersigned, Pierre Crevits, Chief Executive Officer of Dexia Crédit Local,

Hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with all applicable accounting standards and present a true and fair view of the assets, financial position and results of the Company and of all the companies included in the scope of consolidation, and that the management report on page 2 of this annual report presents a true and fair view of changes in the revenues, results 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 uncertain-ties to which they are exposed.

La Défense, 29 April 2021

Pierre Crevits
Chief Executive Officer

Dexia Crédit Local’s annual financial report 2020 has been published by the Communication Department.
This report is also available in French.
In case of discrepancy between the English and the French versions of the annual report,
the text of the French version shall prevail.
Due to environmental concern, Dexia Crédit Local decided not to print its annual report.
It can be downloaded on www.dexia.com

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