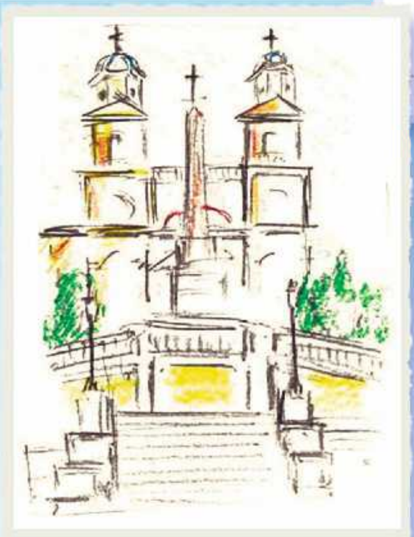
2020

ANNUAL REPORT



DEXIA

Annual report 2020

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, the Group's staff members have once again shown themselves to be equal to the challenges. Their exceptional mobilisation and considerable work enabled the 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 Group was able to continue to implement its strategic roadmap.

The crisis had an unfavourable impact on the Group's results, particularly in the first half of the year. The Group 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 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 had a strong Total Capital ratio of 28.5%, compared to a requirement reduced to 11.25%.

Historically the Achilles heel of the Group, liquidity has shown great resilience. Dexia'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. The Group 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, the Dexia Group 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 Group lie in the values we all share within Dexia, 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 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

Group Profile

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A Group in orderly resolution

Dexia[1] is a European banking group managed under an orderly resolution plan since the end of 2011. The Belgian and French States Group own 99.6% of the Group[2].

Dexia's orderly resolution plan, which was approved by the European Commission in December 2012, aims to avoid the Group's bankruptcy and liquidation which, given the Group's residual size, could have been destabilising to the entire European banking sector.

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, the Group's parent company, is a public limited company (*société anonyme*) and financial company governed by Belgian law. Dexia Crédit Local, the Group's main operating entity, is based in France and benefits from a funding guarantee, up to a maximum amount of EUR 85 billion, provided by the States of Belgium, France and Luxembourg, to allow for the execution of the orderly resolution plan. Dexia Crédit Local holds a banking licence and has an international presence through its Italian subsidiary, Dexia Crediop, which also holds a banking licence, its branch in Ireland and its representative office in the United States. The Group has 546 staff members as at 31 December 2020.

Since its entry into resolution, Dexia no longer has any commercial activity. The Group is fully dedicated to the management in extinction of its balance sheet and its 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 the Group.

(1) Throughout this Annual Report, Dexia refers to Dexia SA/NV and Dexia Crédit Local to Dexia Crédit Local S.A.

(2) In 2012, 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%

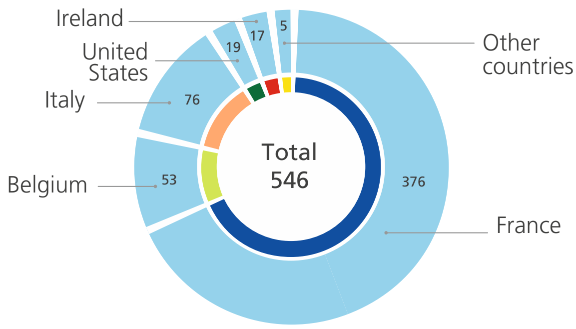
Dexia

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

Management Board

Key figures

NUMBER OF STAFF MEMBERS AS AT 31 DECEMBER 2020



RESULTS (in EUR million)	**2019 [1]**	**2020**
Net banking income	**(746)**	**(216)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(379)	(334)
Gross operating income	**(1,125)**	**(550)**
Cost of credit risk	265	(169)
Net gains or losses on other assets	0	101
Pre-tax income	**(860)**	**(618)**
Income tax	33	(1)
Result from discontinued operations, net of tax	(111)	0
Net income	**(938)**	**(619)**
Minority interests	(40)	(1)
Net income Groyp share	**(898)**	**(618)**

(1) Restated figures.

BALANCE SHEET (in EUR billion)	**31/12/2019**	**31/12/2020**
Total assets	**120.3**	**114.4**
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	7,308	6,795
Total Capital	7, 404	6,891
Risk-weighted assets	27,263	24,196
Common Equity Tier 1 ratio	26.8%	28.1%
Total Capital ratio	27.2%	28.5%

RATINGS AS AT 31 DECEMBER 2020	**Long term**	**Outlook**	**Short term**
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody’s	Baa3	Stable	P-3
Standard & Poor’s	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA-	-	F1+
Moody’s	Aa3	Stable	P-1
Standard & Poor’s	AA	-	A-1+

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

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

Implications relating to Covid-19

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

In addition to the operational aspects, this unprecedented crisis has had multiple repercussions on the Group's organisation, business and results. In particular, the Group's funding model proved highly resilient at the height of the crisis.

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 the Group fully to resume its asset disposal activities.

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

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

Disposals were mainly concentrated in project and corporate finance (EUR 2.2 billion) and public sector assets (EUR 2.1 billion). Despite a difficult market context, Dexia successfully launched the 6th and 7th tranches of its programme to sell loans to French local authorities and sold 371 loans for an outstanding amount of EUR 1 billion[1].

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 commercial portfolio.

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

(1) 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.

Proactive off-balance sheet management

In 2020, the Group launched a programme to reduce its derivatives portfolio, including multiple downsizing exercises to simplify operational management.
In addition, around forty interest rate swaps with customers, mainly in connection with project financing transactions, were unwound early, which contributes to reducing and simplifying outstanding derivative transactions with customers.

Reclassification of an asset portfolio at fair value

On 19 July 2019, the Board of Directors approved the implementation of a new asset disposal programme aimed at reducing the Group's liquidity risk and its exposure to certain targeted counterparties while enabling it to preserve its solvency. In accordance with the IFRS 9 accounting standard, this change of management intent resulted in a change of the economic model and therefore the reclassification of the assets concerned on 1 January 2020.
The assets concerned, which had been classified at amortised cost upon first-time application of IFRS 9, were reclassified at fair value through profit or loss or equity, resulting in an impact of EUR -196 million on equity via EUR -104 million on the income statement and EUR -92 million on the OCI reserve, respectively. This reclassification also increases the Group's sensitivity to changes in the fair value of those assets as long as there is no disposal of them.
Over the year 2020, in addition to the impact of the reclassification mentioned above, the variation in the fair value related to the high volatility on the markets is reflected, for assets reclassified and not sold in 2020, in an impact on the income statement of EUR -64 million, recorded in accounting volatility items.

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

For several years, Dexia has pursued an active ALM[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 the Group's solvency.

(1) Asset and Liability Management.

Ongoing simplification of the international network

United States

The project to transform the New York branch of Dexia Crédit Local was completed in 2020. After having successfully transferred the asset portfolios as well as the associated financing and derivatives in 2019, Dexia proceeded on 30 April 2020 with the transfer of the entire residual balance sheet to the Dexia Crédit Local head office in Paris. This included staff costs, tax accounts and the entity's residual equity. The transformation of the branch into a representative office and the withdrawal of the banking licence took place on 30 November 2020.
Following the successful transformation of the New York branch of Dexia Crédit Local, the Group's footprint in the United States consists of a representative office and Dexia Holdings Inc. which owns Dexia Financial Products Holdings Inc. and FSA Global Funding Ltd. As at 31 December 2020, the balance sheet of these entities amounted to EUR 2 billion. It mainly comprises securities on the assets side and Guaranteed Investment Contracts (GICs) and intra-group refinancing on the liabilities side.
The Group has undertaken the restructuring of these entities. To this end, a first asset portfolio of EUR 253 million was transferred from Dexia Financial Products Holdings Inc. to the headquarters of Dexia Crédit Local in Paris in November 2020. Dexia will continue this simplification process in 2021.

Italy

Over the year Dexia continued to examine different strategic options for the future of Dexia Crediop.
On 8 September 2020, Dexia finalised the acquisition of the remaining shares of Banco BPM SpA and BPER Banca SpA in Dexia Crediop. At the end of this operation, Dexia Crédit Local owns 100% of its Italian subsidiary.
The Group then undertook actions to restructure its subsidiary, including a review of its funding mix.
In addition, on 11 December 2020, Dexia Crédit Local strengthened the equity of Dexia Crediop through a capital increase of EUR 75 million and the granting of a subordinated (Tier 2) loan of EUR 25 million with a maturity 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 bank in resolution like Dexia, the European Central Bank (ECB) has proposed a change in the methods of prudential supervision of the Group.

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

Indeed, as of 1 July 2020, Dexia has left the group of significant institutions directly supervised by the ECB via the Joint Supervisory Team (JST) and is now placed, as a Less Significant Institution (LSI) within the framework of the Single Supervisory Mechanism, under the supervision of the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR), as the consolidating supervisor and the National Bank of Belgium (BNB). At an entity level, Dexia Crédit Local is supervised by ACPR and Dexia Crediop by the National Bank of Italy.
The Group maintains regular and transparent relations with the supervisory authorities, in particular since the acceleration of the Covid-19 crisis.

Evolution of the Group’s gouvernance

On 20 May 2020, Dexia's Annual Shareholders' Meeting approved the appointment of Pierre Crevits as director. The Dexia Board of Directors then appointed him as Chief Executive Officer and Chairman of the Management Board of Dexia[1].
Bart Bronselaer, who served as interim Chief Executive Officer until 20 May 2020, was co-opted by the Board of Directors as non-executive director on 9 September 2020. On 9 September 2020, Dexia's Board of Directors also co-opted Claire Vernet-Garnier as non-executive director of Dexia, replacing Claire Cheremetinski. Bertrand Dumont resigned from the Board of Directors on 29 October 2020.
As the governance of Dexia and Dexia Crédit Local is integrated, Pierre Crevits is also Chief Executive Officer and Chairman of the Management Board of Dexia Crédit Local, Bart Bronselaer has been a non-executive director of Dexia Crédit Local since 9 September 2020, and Claire Vernet-Garnier has been a representative of the French State, director of Dexia Crédit Local since 29 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 Group or external events which could have an impact on the Group.
The complete rating table is provided in the chapter “Group profile” in this Annual Report.

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

Dexia continues to pay particular attention to the evolution of the situation in the United Kingdom, following the country's exit from the European Union on 31 December 2020.
On that date, Dexia's exposure to the United Kingdom amounted to EUR 20.6 billion. These assets are of very good credit quality, with 98% rated investment grade. The portfolio notably includes EUR 10.2 billion of exposures to the local public sector and EUR 6.6 billion of exposures to the project finance sector and corporates, mainly public sector related, including utilities, which are a priori not very sensitive to the consequences of the exit of the United Kingdom from the European Union. Sovereign exposure is negligible.
As at 31 December 2020, Dexia has reduced its liquidity requirement in pounds sterling and extended the maturity of its funding in the event of an increase in market volatility and a tightening of access to the post-Brexit refinancing market in that currency. Dexia also transferred approximately EUR 17 billion of bilateral derivative notional amounts with UK counterparties to European counterparties and finalised its membership of Eurex OTC Clear, the European clearing house.

Reform of the reference indices (IBOR)

In order to increase the reliability and transparency of short-term reference rates (IBOR), a reform has been undertaken at a global level aimed at replacing these indices with new nearly risk-free rate benchmarks such as ESTR (EUR), SOFR (USD) and SONIA (GBP).
Dexia is exposed to the IBOR indices, mainly in euros, US dollars and pounds sterling, through financial instruments which will be replaced or modified within the context of this reform by replacing the reference interest rate. Where appropriate, the solidity of the contracts concerned is reinforced by the insertion of fall-back clauses, setting out the terms and conditions for replacement in the event of the cessation of a reference interest rate.
The Group has instructed a steering committee to monitor the market and the various developments relating to this reform. The objective is to anticipate the consequences of the transition to the new reference rates as well as possible by managing the stock of existing contracts. Dexia also carried out legal analyses of the contracts concerned by the reform, analyses of the financial impact of the replacements and the necessary modifications from an operational point of view (IT services).
Concerning Dexia's derivative contracts processed with clearing houses, the transition from EONIA to ESTR (EUR) for cash collateral remuneration took place on 27 July 2020. The move from Federal Funds to SOFR (USD) took place on 19 October 2020 and impacted the valuation of those derivatives. As the change in the fair value of the derivatives is offset by the payment or receipt of cash collateral, this changeover has not had any impact on Dexia's income statement.
As at 31 December 2020, the amendments to the financial contracts concerned by the reform of the reference indices had no material consequences on the Dexia financial statements.

(1) Cf. Dexia Press Release dated 20 May 2020,available atwww.dexia.com.

Financial results

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

Going concern

The consolidated financial statements of Dexia as at 31 December 2020 were prepared in line with the accounting rules applicable to a going concern in accordance with the accounting standards IAS 1 § 25 and 26. This requires a number of constituent assumptions underlying the business plan for the resolution of the Dexia Group, decided upon by the European Commission in December 2012, and reassessed on the basis of the elements available on the date on which the financial statements were approved.

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

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

• The business plan assumes the maintenance of the banking licence of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at a level equivalent to or higher than the level of investment grade.

• The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured funding. The European Commission's confirmation of the 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, the Dexia Group is also very sensitive to changes in the macroeconomic environment and market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters over time could have an adverse impact on the Group's liquidity and solvency levels. It could also have an impact on the valuation of financial assets, liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through shareholders' equity and could lead to a change in the Group's regulatory capital.

• In particular, considering the decisions taken by the Board of Directors in 2019, relating to the implementation of an asset disposal plan for a total of approximately EUR 13 billion[1], Dexia is exposed to the evolution of the fair value of these assets until their effective disposal.

• Furthermore the Group is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been increased by the teleworking environment imposed by the Covid-19 pandemic.

• Finally, residual uncertainties related, for example, to new changes in accounting and prudential rules over the duration of the Group's resolution could lead to a significant change in the resolution path initially anticipated.

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

• Since the Group's entry into orderly resolution, Dexia has continuously reduced its funding requirements and extended the maturity of the funding raised, with a view to prudent management of its liquidity. The acceleration of asset sales decided during the summer of 2019 has notably enabled a EUR 4.6 billion reduction in the Group's funding requirements compared to the end of December 2019, supported by the rapid reduction in the US dollar funding requirement.

In 2020, despite the particularly severe crisis context linked to the Covid-19 pandemic, Dexia executed its entire long-term refinancing programme on terms close to its budgetary target. The Group also demonstrated its ability to mobilise significant liquidity reserves on the secured debt market, which remained active, without recourse to the facilities of the European Central Bank (ECB). Indeed, Dexia was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017[2] and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash.

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

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

(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 scenario, and a continued erosion of its transformation result.

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

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

• Management has also taken into account the constraints and uncertainties of its operating model as well as the going concern risks inherent to Dexia's 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 Appendix 1.4.1. to the consolidated financial statements in this annual report, into account, Dexia management confirms that as at 31 December 2020, they do not call into question the fundamentals of the Group's orderly resolution and do not lead to the assessment of the application of the going concern agreement being called into question. Consequently, the consolidated financial statements can be prepared on a going concern basis in accordance with IAS 1 § 25 and 26.

Analytical segmentation

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

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

Income statement presentation

In order to make the results easier to understand, Dexia has used the following segmentation:

• Recurring elements associated with the carry of assets such as portfolio income, funding costs, operating charges, cost of credit risk and taxes.

• Accounting volatility elements associated with asset and liability fair value adjustments in particular including the impacts of the IFRS 13 accounting standard (CVA, DVA, FVA), the valuation of OTC derivatives, the various impacts relating to financial instruments booked at fair value through profit or loss (in particular non-SPPI assets) and the variation of value of derivatives hedging the WISE portfolio (synthetic securitisation of a portfolio of enhanced bonds).

• Non-recurring elements, in particular gains and losses on the disposal of holdings and instruments booked at amortised cost or at fair value through equity, costs and gains associated with litigation, cost and indemnities induced by the exit of projects or contracts, restructuring costs as well as costs associated with Group strategic restructuring projects or exceptional operational taxes.

Change in the presentation of net interest margin

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

Furthermore, the analytical segmentation has also been reviewed and this interest, previously recognised in recurring income, is now included in the accounting volatility items. The figures as at 31 December 2019 have been restated for comparison purposes.

Analysis of the consolidated income statement

CONSOLIDATED INCOME STATEMENT – ANC FORMAT

(in EUR million)	2019 (1)	2020
Net banking income	**(746)**	**(216)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(379)	(334)
Gross operating income	**(1,125)**	**(550)**
Cost of credit risk	265	(169)
Net gains or losses on other assets	0	101
Pre-tax income	**(860)**	**(618)**
Income tax	33	(1)
Result from discontinued operations, net of tax	(111)	0
Net income	**(938)**	**(619)**
Minority interests	(40)	(1)
Net income Groyp share	**(898)**	**(618)**

(1) Restated figures.

Analytical presentation of the results

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

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

ANALYTICAL PRESENTATION OF THE RESULTS OF THE DEXIA GROUP

	2019 (1)	2020			
(in EUR million)	Total	Total	Recurring elements	Accounting volatility elements	Non-recurring elements
Net banking income	**(745)**	**(216)**	**1**	**(31)**	**(186)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(380)	(334)	(307)	0	(27)
Gross operating income	**(1,125)**	**(550)**	**(306)**	**(31)**	**(213)**
Cost of credit risk	265	(169)	(169)	0	0
Net gains or losses on other assets	0	101	0	0	101
Net result before tax	**(860)**	**(618)**	**(475)**	**(31)**	**(112)**
Income tax	33	(1)	(1)	0	0
Result from discontinued operations, net of tax	(111)	0	0	0	0
Net income	**(938)**	**(619)**	**(476)**	**(31)**	**(112)**
Minority interests	(40)	(1)	(1)	0	0
Net income, Group share	**(898)**	**(618)**	**(475)**	**(31)**	**(112)**

(1) Restated figures.

Recurring elements

RECURRING ELEMENTS

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

(1) Restated figure.

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

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

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

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

• a charge of EUR -96 million directly related to the Covid-19 crisis. Recorded in the first half of 2020, this charge includes EUR -78 million of collective provisions resulting from the update of the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 (cf. 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 Group. Following this review, Dexia has systematically classified in Stage 2 all counterparties likely to be weakened by the crisis: airports, corporate real estate, French overseas and mountain communities, oil and gas, tourism and entertainment and student housing financing in the United Kingdom. In addition, counterparties rated Non-Investment Grade in the private healthcare sector in France have also been classified in Stage 2. Finally, exposures belonging to other sectors, already identified as sensitive before the crisis, have also been included in Stage 2 despite their higher rating quality: parking and port infrastructure, toll freeways, public transportation and real estate;

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

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

Income tax amounted to EUR -1 million.

Accounting volatility items

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

The negative result for the year is mainly explained by:

• The variation in the value of assets classified at fair value through profit or loss for an amount of EUR -69 million. The crisis led to a significant increase in credit spreads from mid-March onwards. This dynamic was partially reversed in the second half of 2020, leading to a gradual tightening of credit spreads in many market segments.

• A favourable evolution of the Funding Value Adjustment (FVA), Credit Value Adjustment (CVA) and Debt Valuation Adjustment (DVA) for a total amount of EUR +35 million.

Non-recurring elements

NON-RECURRING ELEMENTS

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

(1) Restated figures.

Non-recurring elements amounted to EUR -112 million as at 31 December 2020 against EUR -855 million in 2019, characterised by an acceleration of asset disposals and the sale of Dexia Kommunalbank Deutschland.
In 2020, these items include in particular:
• An impact of EUR -104 million related to the reclassification of targeted assets under the asset disposal programme from the "amortised cost" category to the "fair value through profit or loss" category. This reclassification, which took place on 1 January 2020, follows a change in the intent for management of the assets in question, which leads to a change in the IFRS economic model (cf. section "Reclassification of an asset portfolio in fair value" in the "Highlights" chapter in this Annual Report).
• Losses related to asset disposals and, to a lesser extent, liability repurchases for an amount of EUR -72 million.
• A net gain on other assets, linked to the recycling via the income statement of a EUR 101 million translation difference carried by the equity of Dexia Crédit Local New York, following the transfer of the entity's residual balance sheet to Dexia Crédit Local on 30 April 2020. This translation difference reflects the evolution of the US dollar between 31 December 2020 and the various historical periods in which the equity was built up.

Evolution of the consolidated balance sheet

As at 31 December 2020, the Group's consolidated balance sheet total amounted to EUR 114.4 billion, compared to EUR 120.3 billion as at 31 December 2019, a decrease of EUR 6 billion, mainly due to the reduction in assets.
The asset 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 funding (EUR -3 billion), the impact of fair value items and cash collateral 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.

Risk management

Introduction

In 2020, the Risk Management activity line continued actively to manage the risk carried by Dexia, 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 Group's management bodies.

Against the background of the Covid-19 pandemic, the Group 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 the Group'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 Group.

During the year, Dexia continued its asset disposal programme, despite a slowdown in the first half of the year 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 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 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, Dexia participated in the transparency exercise organised by the European Banking Authority (EBA), the elements and conclusions of which were published at the end of November 2020. This exercise aimed to provide detailed and harmonised information on the balance sheets and portfolios of the main European banks.

Gouvernance

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

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

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

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

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

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

- operations giving rise to credit 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 Group risks under the supervision of those committees.

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

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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.
The Credit Analysis Centres department defines the Group's credit risk policy, which encompasses supervision of the processes for rating counterparties, analysing credit files and monitoring exposures within the Group. It also determines the specific provisions presented quarterly when the accounts are approved by the Board of Directors.
Along with the Risk Committee, the Management Board and the Transaction Committee, the following three committees meet on a quarterly basis:
- The **Watchlist Committee** supervises assets considered to be "sensitive", placed under watch, and decides 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 Group's various entities.

Market Risk

Market risk represents the Group's exposure to changes in market parameters, such as interest and exchange rates. Interest rate risk consists of structural interest rate risk and specific interest rate risk associated with a given credit counterparty. The latter arises from fluctuations in the credit spread on specific counterparties within a rating class. The foreign exchange risk represents the potential decrease in the value of assets arising from fluctuations in exchange rates against the euro, which is the reference currency in which the Dexia Group prepares its financial statements. The interest rate and foreign exchange risks of the positions within the banking portfolio are part of the transformation risk.
Market risk policy and management are in the hands of the Management Board. To facilitate the Group's operational management, a system of delegated authority has been put in place:
- The **Market Risk Committee** is responsible for market risk governance and standards. It defines the risk limits that form the general framework for the Group's risk policy, analyses risk results and positions and approves risk measurement methods. It meets on a monthly basis.
- The **Valuation and Collateral Monitoring Committee** meets each month to analyse indicators relating to collateral management, to decide on action plans for significant valuation differences and to monitor the valuation of structured products.

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

Transformation 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'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

Typology of the risks monitored by Risk Management

Risk Appetite Framework

The Risk Appetite Framework (RAF) is a regulatory requirement which defines Dexia's level of risk tolerance as approved by the Board of Directors and falls within the implementation of Dexia strategy. It defines the Group's risk profile, and qualifies the types of risk which Dexia is inclined to hold, minimise, attenuate or transfer in order to achieve its strategic objectives. The RAF considers Dexia's significant risks and relies on Dexia's strategy and capital forecasts.
The RAF was introduced in Dexia in 2016. It includes a 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 Group's decision-making bodies.

Credit Risk

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

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 Group. 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 the Group'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 Group's various departments. Within each activity domain, an operational risk correspondent coordinates data collection and assesses risks, as well as proposing and monitoring remediation action plans. Supported by the operational risk management function 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 dossier (subject of exchanges with the European Central Bank within the framework of the SREP) and ad hoc analyses to support strategic choices.

Risk Monitoring

Credit risk

Exposure to credit risk

Dexia's credit risk exposure is expressed as Exposure at Default (EAD). It corresponds to the best estimate of credit risk exposure in the event of default. The definition of EAD used by Dexia is given in Note 7 to the consolidated financial statements in this Annual Report.
As at 31 December 2020, Dexia's credit risk exposure amounted to EUR 82.9 billion compared to EUR 87.9 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	17,730	20,962
United Kingdom	21,404	20,648
Italy	19,478	18,643
Spain	5,418	4,646
United States	8,881	4,628
Portugal	4,050	3,673
Japan	3,804	3,083
Other European countries	1,628	2,551
Central and Eastern Europe	905	858
Germany	1,058	657
Canada	1,182	601
Switzerland	146	95
Scandinavia	81	92
Central and South America	164	37
South-East Asia	121	6
Others [1]	1,857	1,680
TOTAL	**87,907**	**82,858**

(1) Includes supranationals and Australia.

As at 31 December 2020, exposures remain mainly concentrated on the local public sector and sovereigns (75%) given Dexia'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	37,809	33,251
Sovereigns	25,871	28,595
Project finance	9,329	6,581
Financial institutions	6,852	6,218
Corporates	5,286	5,584
Monolines	1,349	1,317
ABS/MBS	1,410	1,311
Individuals, SME, self-employed	1	0
TOTAL	**87,907**	**82,858**

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	16.9%	20.0%
AA	7.7%	6.0%
A	30.0%	24.0%
BBB	36.9%	42.0%
Non-investment grade	7.5%	7.0%
D	0.8%	1.0%
No rating	0.2%	0%
TOTAL	**100%**	**100%**

Particular attention is paid to the sectors and countries listed in the following table in view of the significant amounts of exposure or the degree of sensitivity. The main developments and significant facts for those sectors and countries in 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	**18,643**	8,275	110	158	2	10,098	0
Spain	**4,646**	3,059	869	287	32	398	0
United States	**4,628**	1,934	1,093	975	2	440	184
Portugal	**3,673**	553	47	0	0	3,073	0
Japan	**3.083**	2,823	0	260	0	0	0
Belgium	**2.450**	0	13	424	0	2,013	0
Germany	**657**	0	82	572	0	3	0

GROUP SECTOR EXPOSURE BY RATING

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

(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 is exposed. Dexia 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 Group commitments to sovereigns

Dexia 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 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 downgraded Tunisia's rating from B+ to B, keeping the negative outlook. As at 31 December 2020, Dexia's outstanding exposure to Tunisia amounted to EUR 128.5 million, entirely concentrated on the sovereign.

Dexia Group commitments to the local public sector

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

France

Dexia'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'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 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 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 the Group is exposed was recorded in 2020.
Most of Dexia'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'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 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 Group commitments to project finance and corporates

The project finance and corporate loan portfolio amounted to EUR 12.2 billion as at 31 December 2020, down 17% 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's asset disposal programme.

54.1% 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: 79% of project finance and 99% of corporate finance is rated investment grade.

In terms of geographical spread, the UK accounts for approximately 54% of the project finance (PPP) and corporate (utility) portfolio. 97% of this exposure is rated investment grade. At this stage, Dexia 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 Group's portfolio, the main sectors impacted in which Dexia has a significant presence are:

- The Airport sector (exposure of EUR 184.6 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 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's exposures in this sector remains globally satisfactory, with the exception of one fully provisioned case.

Dexia Group commitments to ABS

As at 31 December 2020, the Group's ABS portfolio amounted to EUR 1.3 billion. 92.7% of the portfolio is investment grade, compared to 92.6% at the end of December 2019.

Dexia Group commitments to financial institutions

Dexia's commitments to financial institutions amounted to EUR 6.6 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.

(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.

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.

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 Group commitments to monolines

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

As at 31 December 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]	615	556
Specific provisions [2]	143	134
o/w Stage 3	136	125
POCI	7	9
Coverage ratio [3]	23.3%	24.1%
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 by own capital + 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 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's stock of impaired loans and receivables amounted to EUR 556 million as at 31 December 2020, down by EUR 59 million compared to the end of 2019. Earmarked specific provisions amount 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'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 24.1% 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 in the second half of 2020.

• Non-performing exposures bring together outstanding amounts unpaid for more than 90 days or for which the Group considers that the counterparty is unable to repay without implementing guarantees. As at 31 December 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 0.45 billion.

Market risk

Risk measurement

The Dexia Group mainly assesses market risk using a combination of two measurement indicators, resulting in a limit-based risk management framework.
• *Value at Risk* (VaR) measures the expected potential loss for a 99% confidence interval and for a ten-day holding period. Dexia relies on a parametric VaR to measure the market risk inherent in the various portfolios and activities. The method of this VaR is based on a normal distribution of returns of risk factors.
• Limits in terms of positions, maturity, market and authorised products are put in place per type of activity. They guarantee consistency between global risk limits and the operational thresholds used by the front office.

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

Exposure to market risk

The 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.

(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 as 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'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 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. 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

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 the Group or its entities.

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

Management of liquidity risk

Dexia's policy for managing liquidity risk

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

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

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

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

Measurement of liquidity risk

The Dexia Group posted a consolidated LCR ratio of 222% as at 31 December 2020 against 238% as at 31 December 2019, in line with regulatory requirements. This ratio is also respected at subsidiary level, each exceeding the minimum requirement of 100%.

The net stable funding ratio (NFSR) was also well above the 100% threshold and increased from 130.4% at the end of December 2019 to 136.2% at the end of December 2020.

Operational risk and IT systems security

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

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

Measuring and managing risk

Operational risk management is identified as one of the pillars of Dexia's strategy, within the context of its orderly resolution. This risk is monitored within the framework of the standard approach determined by the Basel regulatory methodology. Under this methodology, information relating to the operational risk must be transferred to the managers in charge of monitoring this risk, and the tasks identified as critical must be monitored.

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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 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's exposure to key risks is carried out regularly. All entities of the Dexia 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 of the Group, 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. 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'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 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 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, the Dexia Group continued to adapt its structure and its operational processes to its mandate of orderly resolution. This resolution phase is by its nature propitious to the development of operational risks, particularly from elements such as the departure of key individuals, possible demotivation among staff members, or changes to treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phase but should in the medium term guarantee the bank's operational continuity and limit the operational risks associated with systems, processes and people.

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, 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 this Annual Report.

Climate risk

Dexia 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 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 power plant in Australia, as well as exposures to the liquefied natural gas sector in Qatar and to power companies in the United States.

(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."

Considering the high duration of the portfolio, Dexia 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'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'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 Group'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 this Annual Report.

Stress tests

Stress tests and scenario analyses

Dexia carries out multiple scenario analysis and stress test exercises in a transversal approach integrated into the Group's 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'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 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 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 at that date.
On the basis of this information, other litigation and investigations in which a Dexia Group entity is named as a defendant are either not expected to have a material impact on the Group's financial position or it is too early to assess precisely whether or not they may have a material impact.
The Group's consolidated financial statements reflect the consequences, as assessed by Dexia 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 the Group's financial position, results or activities and provisions have been recorded where necessary.
Details of litigation in which a Dexia 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

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

Share capital

Information on Dexia's share capital as at 31 December 2020

As at 31 December 2020, Dexia's share capital amounted to EUR 500,000,000.
It is represented by 420,134,302 registered shares with no par value, each representing 1 / 420,134,302nd of the share capital.

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

Since 2 December 2019, the Dexia share is no longer listed on Euronext Brussels.
The dematerialised form of Dexia shares has also been cancelled and Dexia shares are now exclusively registered.
More detailed information on the delisting of the Dexia shares is provided on Dexia's website, www.dexia.com.

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

Article 6 of the articles of association states that the amount of authorised capital is at any time equal to the amount of the share capital. As at 31 December 2020, the authorised capital represented EUR 500,000,000. The authorisation to increase the authorised capital granted by the shareholders' meeting on 15 May 2019 is valid for a five-year period ending in 2024.

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

The Extraordinary Shareholders' Meeting on 16 May 2018 renewed the authorisation given to the Board of Directors for a new five-year period:

- To acquire the company's own shares, meeting the conditions provided by the Law and the undertakings made by the company and the Belgian, French and Luxembourg States with regard to the European Commission,
- To dispose of the company's own shares, without prior authorisation from the shareholders' meeting under the conditions provided in Article 7:218 of the Companies and Associations Code.
- To authorise the direct subsidiaries within the meaning of Article 7:221 of the Companies and Associations Code to acquire the company's shares under the same conditions.

The Board of Directors did not launch any programme to repurchase own shares in 2020.
As at 31 December 2020 the unchanged balance of the portfolio of own shares amounted to 324 own shares and corresponds to the number of Dexia shares still held by Dexia Crédit Local (a direct subsidiary of Dexia within the meaning of Article 7:221 of the Companies and Associations Code), within the framework of a share option plan introduced by that subsidiary in 1999.

Prudential equity and solvency

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

Prudential requirements applicable to Dexia with regard to solvency

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).

(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.

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 pandemic, on 12 March 2020 the ECB announced a series of measures to ease capital requirements under the SREP. These measures resulted in the relaxation of the capital conservation buffer and additional capital (P2G - Pillar 2 guidance). In conjunction with the ECB's announcement, some national authorities such as France and the United Kingdom also reset the countercyclical buffer to zero.
By integrating these easing measures, the capital requirement applicable to Dexia increases to 11.25% on a consolidated basis, compared to 15.25% initially communicated for the year 2020. This 11.25% requirement includes an additional capital level of 3.25% (P2R – Pillar 2 requirement) to be covered at least 56% by Common Equity Tier 1 capital and 75% by Tier 1 capital.
On 7 January 2021, ACPR informed Dexia that, in the absence of any significant change in its risk profile and in order to take into account the exceptional circumstances generated by the current health crisis, the total capital requirement of 11.25% was maintained in 2021.
On 5 February 2021, the ACPR also confirmed to Dexia 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 and its subsidiaries made use of these temporary provisions when preparing their prudential statements and their 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 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 and elements subject to prudential filters (own debt risk, Debit Value Adjustment, cash flow hedge reserve, Prudent Valuation) and additional prudential provisions.
• Additional Tier 1, including Tier 1 subordinated debt (hybrid);
• Additional Tier 2 Capital, which includes the eligible portion of Tier 2 subordinated debt as well as surplus provisions on the level of expected losses, reduced by the surplus amount of thresholds provided with regard to holding subordinated debt issued by financial institutions.
In accordance with regulatory requirements and applicable transitional provisions:
• Dexia uses 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.
The Group’s Total Capital amounted to EUR 6.9 billion as at 31 December 2020, compared to EUR 7.4 billion as at 31 December 2019.
As at 31 December 2020, Dexia Group's Common Equity Tier 1 Capital amounted to EUR 6.8 billion, against EUR 7.3 billion as at 31 December 2019. It is burdened by the negative net income for the year (EUR -618 million).
The Group's solvency was impacted by the effects of the Covid-19 crisis. Indeed, additional value adjustments taken into account in regulatory capital within the context of the Prudent Valuation Adjustment (PVA) amounted to EUR -190 million as at 31 December 2020, despite a positive impact of EUR +59 million related to the increase in the diversification factor provided for by the temporary adjustment to the CRR (CRR Quick-Fix) validated by the European Parliament in June 2020.
Dexia also made use of the temporary adjustment to the CRR to reintegrate into regulatory capital any new expected credit losses recognised under IFRS 9 (dynamic phase-in), resulting in a positive impact of EUR +152 million. The temporary neutralisation of changes in fair value of certain sovereign and public sector assets classified at fair value through equity also had a positive impact of EUR +10 million on the level of regulatory capital.
• 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 -75 million[1];

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

PRUDENTIAL EQUITY

(in EUR million)	31/12/2019	31/12/2020
Total Capital	**7,404**	**6,891**
Common Equity Tier 1 Capital	**7,308**	**6,795**
Core shareholders' equity, of which:	7,659	6,944
Gains and losses on financial instruments directly recognised in equity, eligible at a prudential level	*(141)*	*(141)*
Translation differences – Group	*102*	*(6)*
Actuarial differences on defined benefit plans	*(5)*	*(3)*
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 value 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	*(89)*	*(75)*
Additional prudential provisions	*(80)*	*(41)*
Additional Tier 1 capital (hybrids)	**29**	**19**
Subordinated debt	29	19
Additional Tier 2 Capital	**67**	**77**
Subordinated debt	67	77
Of which additional Tier 1 reclassified (hybrids)	*67*	*77*

• The amount of irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, is EUR -59 million. Finally, following its on-site inspection of credit risk which it conducted in 2018, the ECB issued a number of recommendations. As a consequence, Dexia deducted from its prudential capital an amount of EUR -41 million as additional specific provisions.

As at 31 December 2020, the nominal amount of the Group's hybrid Tier 1 securities amounted to EUR 96 million, of which EUR 19 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[1]. The Group's hybrid Tier 1 capital is therefore composed of:

• EUR 56.25 million nominal value of perpetual non-cumulative securities issued by Dexia Crédit Local: these shares (FR0010251421) are listed on the Luxembourg Stock Exchange;

• EUR 39.79 million nominal value of perpetual non-cumulative securities issued by Dexia Funding Luxembourg, now incorporated at Dexia: these securities (XS0273230572) are listed on the Luxembourg Stock Exchange.

As at 31 December 2020, the amount of Dexia's additional equity (Tier 2 Capital) amounted to EUR 77 million, including reclassified hybrid debts.

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

Risk-weighted assets

As at 31 December 2020, risk-weighted assets amounted to EUR 24.2 billion against EUR 27.3 billion at the end of December 2019, of which EUR 22.2 billion for credit risk, EUR 1 billion for market risk and EUR 1 billion for operational risk. Over the year, credit risk-weighted assets decreased by EUR 0.9 billion. The decrease due to the reduction of the 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	23,080	22,166
Market risk	3,183	1,031
Operational risk	1,000	1,000
TOTAL	**27,263**	**24,196**

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

Solvency ratios

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

SOLVENCY RATIOS

	31/12/2019	31/12/2020
Common Equity Tier 1 Ratio	26.8%	28.1%
Total Capital Ratio	27.2%	28.5%

Internal capital adequacy

From 2012, Dexia began to reshape the internal capital adequacy assessment process, taking account of its specific situation as a bank in orderly resolution. Internal capital adequacy takes into consideration regulatory requirements and the economic outlook of the capital requirement. The conclusions of this internal approach in terms of capital adequacy measures and capacities to absorb losses were formally submitted to the bank's executive bodies on a quarterly basis in 2020 within the framework of close surveillance of the risks associated with the pandemic situation. The quarterly analyses rely inter alia on the adverse scenario published by the European Banking Authority (EBA), the severe macroeconomic scenarios published by the European Central Bank (ECB) since June 2020 and expert views.

The main solvency risks are also monitored on a quarterly basis via the Risk Appetite Framework (RAF).

Internal capital adequacy is also monitored through less frequent internal assessments such as ICAAP and ILAAP as well as ad hoc analyses to inform strategic choices. The time horizons of these analysis processes vary from 1 to 4 years.

ICAAP stress tests are an integral part of these analyses. Indeed, in the context of the Single Supervisory Mechanism (SSM), this approach entitled "Risk and Capital Adequacy" is also the Group's response to the ECB's requirements for internal capital adequacy processes and supervisory processes (SREP). The results of ICAAP 2020 have been reviewed by the validation department and internal audit.

More detailed information on ICAAP and ILAAP stress tests is provided in the chapter "Risk Management" in this Annual Report.

The approach consists of establishing an exhaustive map of the qualitative and quantitative risk which might simultaneously affect the Group's accounting and prudential situation as well as its liquidity. Such risk mapping aims primarily to measure the sensitivities and exposures to multiple risk factors impacting the bank.

Secondly, the simultaneous impact of various unfavourable future risk scenarios is measured, particularly in terms of the evolution of the principal accounting and prudential indicators. In this regard, and within the same framework, multiple transversal stress tests are performed. Possible departures from financial and strategic plans are thus identified, measured and analysed. These unfavourable scenarios simultaneously include macroeconomic stress scenarios, historic scenarios, "expert" scenarios, scenarios simulated mathematically and reverse stress tests. This internal approach was taken in 2020 and will be renewed in 2021, also taking account of the evolution of the pandemic, the macroeconomic context and market conditions.

Liquidity management

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

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

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

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

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

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

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

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

Non-financial declaration Corporate social responsibility

Dexia Group CSR approach / methodology

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

Dexia Group activities

As indicated in the section of the Annual Report entitled "Group Profile", Dexia is implementing the orderly resolution plan validated by the European Commission in December 2012. This implementation is reflected in particular by:
- the fact that the Dexia Group is no longer commercially active and is fully involved in the management of its asset portfolio in run-off. The Dexia Group no longer has new clients, no longer grants new financing and no longer supports new projects. Moreover, it has adopted a dynamic policy for the reduction of its portfolio and its risks,
- the gradual and constant reduction of the Group's scope, which is reflected by the simplification of its international network and the centralisation of its activities, the closure and disposal of subsidiaries and branches, and the outsourcing of certain production activities.

The orderly resolution has direct consequences in terms of impacts on the Dexia Group's corporate social responsibility. Historically, the Group was mainly active in financing the public sector, in particular States, regions and local authorities, which translates into a high exposure to those sectors. Financing to the industrial sector, although it has existed, has remained very marginal. Human rights and environmental risks, which are by nature more limited for financial institutions with no industrial activity, are even more so for Dexia in the absence of any new commercial activity.

Moreover, the Group is not in a position to support new sustainable or innovative projects, or to participate actively in the current emerging ecological transition by granting financing. For the same reason, Dexia does not have the possibility to access the market to fund itself through the issuance of green bonds.
Furthermore, as the Group does not have a branch network or a universal or private banking activity, it is not exposed to the risks associated with such activities. For example, Dexia does not manage individual deposits or bank accounts. There are no physical or virtual branches and the Group does not market any technological application for example allowing remote access or account management.
Finally, by its nature as a Group in resolution, Dexia faces increased risks on social and staff matters. Specific support has been implemented to limit and manage those risks.
Having regard to indirect CSR risks, Dexia ensures the observance by its subcontractors and its suppliers of its CSR commitments by systematically adding clauses in contracts concluded or by the signature of the Group's Charter of Professional Ethics.

As for clients and projects financed, the Dexia Group is obliged to meet its contractual undertakings until their term, irrespective of the corporate social responsibility aspect thereof. Although sensitive to the environmental question, the Dexia Group is faced with strict financial, accounting and regulatory constraints which do not always allow it to consider CSR criteria as a priority in the execution of its portfolio and risk reduction policy.

Social and staff questions

Key social data

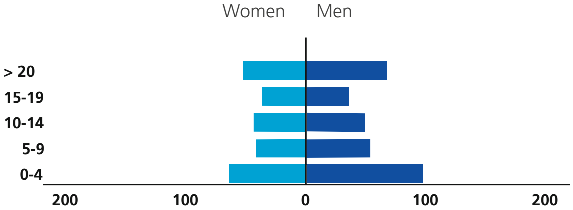
At the end of 2020, the Dexia Group had 546 staff members, of 28 different nationalities, in 8 countries. 53 people are based in Belgium. In France, the total number of Dexia Crédit Local staff members was 376 as at 31 December 2020, against 407 at the end of 2019.
Among the highlights in 2020, there was a decrease in the number of staff members internationally, mainly due to the transformation of the New York branch into a representative office, and in France following the continued reorganisation of Dexia Crédit Local's head office. In 2020 Dexia also added 49 new members of staff (i.e. +9%), including 26 on permanent contracts. 47% of these new recruits are women.
Finally, in total, almost 50% of members of staff joined the Group less than ten years ago.

BREAKDOWN OF STAFF MEMBERS BY CATEGORY AND GENDER

	2019			2020		
	Women	Men	Total	Women	Men	Total
Management Board	1	5	6	1	5	6
Executives	206	275	481	192	256	448
Staff members	57	62	119	44	48	92
TOTAL	**264**	**342**	**606**	**237**	**309**	**546**

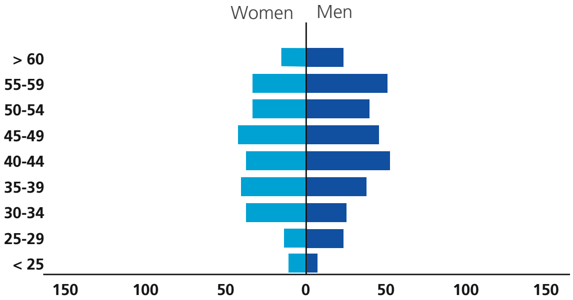
The overall breakdown of the workforce between men and women is 56.6% and 43.4% respectively.

SENIORITY PYRAMID AS AT 31 DECEMBER 2020



At the end of 2020, the average length of service of Group staff members was 12.8 years.

AGE PYRAMID AS AT 31 DECEMBER 2020



The average age is 44.9 years.

BREAKDOWN OF STAFF MEMBERS PER ENTITY

	2019	2020
Dexia Belgium	56	53
Dexia Crédit Local France (excluding seconded/expatriate staff members)	407	376
Dexia Crediop	77	76
Dexia Crédit Local, New York branch	42	19
Other entities	24	22
TOTAL	**606**	**546**

BREAKDOWN OF STAFF MEMBERS PER GEOGRAPHIC AREA

	2019	2020
France	56	53
Belgium	407	376
Italy	77	76
North America	42	19
Other countries	24	22
TOTAL	**606**	**546**

STAFF MOVEMENTS OVER THE ENTIRE GROUP

	2019	2020
ITC recruitments	41	26
Individual ITC redundancies	7	4
Economic ITC redundancies	74	58
ITC resignations	37	20
Passage from DTC to ITC	5	0
DTC recruitments (including work students)	29	23
DTC resignations	1	0
End of DTC (including work students)	28	17
Closure of Dexia Madrid	9	0
Sale of Dexia Kommunalbank Deutschland	74	0
Other	14	10

The ten other departures correspond to transfers within the Group, retirements, contractual terminations, end of trial period, end of mandates, departures and arrivals related to expatriation.

Issues

The orderly resolution plan implemented since 2012 has significant social consequences which Dexia wishes to anticipate in the best possible manner. Indeed, the Group principally faces difficulties in the recruitment and retention of staff, logically reflected by a turnover of 4%. On the other hand, in view of its constant transformation, the Group must ensure the flexibility and employability of its staff members, in order for them to continue to fall within a development and mobility scheme.

The maintenance of a calm social climate is a major objective in the pursuit of an orderly resolution whilst ensuring the observance of the undertakings made by the States vis-à-vis the European Commission in December 2012.

Indeed the management seeks to increase the attractiveness of Dexia, to value professional opportunities within the Group and to guarantee staff members the best possible visibility concerning job prospects. Training and the development of individual and collective skills are two of the fundamental lines of this scheme.

Corporate management during the health crisis

Establishment of crisis units

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

Meeting initially on a daily basis and then on a weekly or bi-monthly basis, the operational crisis unit ensured the company's operational continuity and the management of all the human impacts linked to this situation. In particular, it drew up the various protocols for managing the health crisis within the company, including prevention, precautionary and activity adaptation measures to be implemented according to the evolution of the health risk. These protocols were validated by the strategic crisis unit.

Teleworking

As of 16 March 2020, teleworking was generalised for all Group staff members, with very restricted access to work premises.
This restricted access was adapted in line with the government announcements for 2020 and the evolution of the pandemic. However, the teleworking standard has always been maintained, with office travel varying in frequency and conditions as the health situation has evolved.

Barometer and HR action plans

Eager to take care of its staff members and to identify possible risks within its teams, Dexia set up a barometer. Launched in April, it has made it possible to monitor indicators on six themes: management, mood, remote working, crisis management, working conditions and team cohesion. Other themes were also added from time to time depending on current events (management of the transition period, return to the site, and so on). The results made it possible to identify the needs in these different areas and to raise management awareness in the event of situations requiring joint HR/management action.
Initially conducted on a weekly basis, the barometer was extended until the end of the year on a bi-monthly and then monthly basis. Thus, in 2020, the survey was conducted 14 times with an overall satisfaction rating of 4.01/5 on average (varying between 3.89 and 4.14).
A tailored training offer was deployed on the basis of the barometer results. Thus, 65 awareness-raising actions, in the form of workshops or webinars, bringing together a total of 346 participants, made it possible to address subjects such as work-life balance, stress management, project management and remote management. These webinars are available for replay to all staff members.
HR "meetings" were also organised between the Human Resources department and interns, work students and VIEs. The aim of these meetings was to give the Group's younger staff members the opportunity to express their impressions, problems and suggestions in relation to the situation they were experiencing. These discussions enabled the sharing of good practices to ensure that their well-being was maintained and, if necessary, to remedy their isolation, by raising the awareness of managers. The latter were strongly encouraged to adopt regular close monitoring of their teams, paying particular attention to the most vulnerable.

Further information is provided in the section on "Training policy" in this chapter.

Policies put in place

Definition of a new leadership model

In June 2020, the Management Board wanted to redefine the Group's values so that they reflected the Dexia of today and tomorrow. These new values – Be agile, Favour cohesion, Commit to the general interest and Cultivate trust – guided a representative panel of almost 80 staff members and managers in defining Dexia's new leadership model.

A key element of the Group's strategy, the model focuses on how the mission entrusted by the Belgian and French States is accomplished by answering the question "how".
In order to share a common understanding, the model defines each of the values, indicates the convictions which underlie each of them and details the behaviours which illustrate them so that the values live on a daily basis within the company. To facilitate understanding and to support the appropriation of the model, transversal competencies and skills have been defined.
In order to embody these new values and to integrate them into daily professional practices, the leadership model will feed the human resources processes of recruitment, integration, training and performance. In particular, the model will make it possible to validate the commitment of future staff members, to acclimatise newcomers and to support the development of skills and know-how resulting from the model through training. Finally, the values will be integrated into the framework of the annual staff interviews.

Training policy

Dexia seeks to offer all of its staff members an environment in which each of them is able to develop their skills so as to contribute to the Group transformation and to improve their own employability.
A great many training and development opportunities are offered to every staff member, in close collaboration between the Human Resources department, the heads of departments and direct managers. Dexia thus seeks to develop the expertise of each of them in phase with the evolution of the different business lines, a gauge of performance and employability.
Whilst a training plan common to Dexia (Brussels) and Dexia Crédit Local (Paris) is in force, each Group entity defines its own training actions so as to adapt appropriately to the local situation and requirements.
The comparison of training figures between entities is not very relevant to the extent that the definition and rules applicable to training differ from one country to another.
In 2020, following on from previous years, the Human Resources department structured its actions around five training lines:

- proposing managerial paths (remote manager, manager leader...) in order to reinforce managerial and collaborative skills,
- developing technical and operational skills in line with Dexia's strategy and thus promoting mobility between business lines and, consequently, employability,
- accompanying change in the specific context of Dexia,
- continuing the detection and prevention of psychosocial risks with a focus on well-being at work,
- supporting seniors with the aim of keeping them in employment.

These lines form a training catalogue available in the internal training tool which allows each staff member and manager to monitor their actions and training requests in real time.
In 2020, 110 collective training sessions were held by recognised training bodies and organised in Paris and Brussels and, taking account of the health situation, with the majority in video-training format. These training actions represent 58 different programmes which accompany the major processes and company agreements, the implementation of regulatory mechanisms, business line training, staff and management development and training linked to employability.
More particularly, certain tailored training actions were organised:

- deploying a training offer as part of the post-barometer HR action plan to support staff members during the health crisis,

• deploying an online self-training platform with unlimited access for all staff members on the themes of well-being and quality of life at work, management and leadership, personal and professional development, change management and project management,
• reinforcing training activities in foreign languages (French, Dutch, English and Spanish) in the context of the repatriation of certain activities of the international network or with the aim of developing the employability of staff members,
• developing training activities leading to certification.
Finally, in order to meet the needs of the business lines, staff members have the possibility to register individually for training and conferences given by external training organisations. In 2020, 122 individual sessions were organised, enabling staff members to follow a remote or face-to-face training course.

Internal mobility, recruitment and skills development

Internal mobility and recruitment

Within the framework of its resolution, Dexia offers specific professional opportunities, presenting a wide variety of tasks and a complete vision of the banking business lines.
The Group has thus reinforced its support for internal mobility this year in order to promote the development of skills and 30 internal moves took place in 2020.
When the required skills were not available internally, the Group engaged in a proactive and selective strategy to find external candidates.
Recruitment is managed at entity level. Within Dexia and Dexia Crédit Local, the entire recruitment process is managed internally by a dedicated team. The team relies both on different CV libraries and on a solution which allows job advertisements to be broadcast on several channels simultaneously and to process the applications received online. Given their size and volume of recruitment, most of the Group's entities have chosen to outsource their recruitment activities in order to optimise their internal skills requirements.
In order to optimise its recruitment and employer brand activities and to develop its attractiveness to candidates, in 2020 Dexia strengthened its presence on social networks and its partnerships with recruitment sites and players (LinkedIn, APEC, Cadremploi, Efinancial, Jobteaser).
Dexia's presence on the LinkedIn social network allows for the continuous dissemination of job offers and the relaying of company news, internal events and recruitment-related events in order to attract a large number of candidates. Potential candidates have the possibility to be alerted after each publication made on the LinkedIn Company page.
The relationship between Dexia and potential candidates starts long before the first meetings. Their perception is built on information communicated by the Group or found on social networks. This is why the Human Resources department has made a film to present Dexia on social networks. The aim of this film is to attract new talents and develop the employer brand, by sharing the interest of the different business lines and capitalising on the wealth of the teams.
Dexia's ambassadors (CEO, Head of Human Resources and staff members from several business lines in Belgium and France) gave testimonials on the Group, its challenges and its culture, highlighting in particular the high level of expertise of the staff members and the Group's ability to offer a broad cross-section of the banking business lines.
In addition, in order to ensure operational continuity during the Covid-19 health crisis, the recruitment team set up video-conference interviews with candidates as well as remote recruitment events with APEC for generalist functions and Jobteaser for more specific professions.
During the lockdown period, no hiring was cancelled, only the arrivals of work students planned between 16 March and 15 May were postponed in order to be able to welcome them in the office.
A reinforced onboarding programme was set up to enable new recruits to benefit from the best possible integration: understanding of the organisation and its challenges, knowledge of the teams, processes and tools
To this end, the Human Resources department organised regular discussions with new recruits throughout their trial period. Operational managers have been made aware of the need to monitor their new staff members closely and have stepped up their monitoring of new recruits, in particular by means of an evaluation in the middle and at the end of the trial period.
As part of a continuous improvement process, the Human Resources department finalised the dematerialised welcome booklets for new recruits and is currently working on enhancing the staff member experience during the integration process.

Creation of a monthly staffing committee

The creation of a monthly staffing committee was decided at the end of 2020 in order to meet a major objective of Dexia: the development of transversality, skills and the employability of staff members.
This committee, which brings together the Human Resources department and representatives of each business line, aims to promote the use of internal talent and to encourage staff mobility as a priority in the search for external candidates. It examines all requests for internal mobility made by any staff member or manager (change of business line, profession). It also aims to propose unsolicited mobility options in order to promote the expansion of skills within the Group.
Internal mobility concerns permanent positions and assignments. In order to facilitate access to assignments by staff members, transversal programmes are being developed. These programmes will enable staff members to develop their skills and knowledge of the bank's various business lines through the completion of several assignments within different activity lines.

Skills development

Through their contribution, staff members enable Dexia to perform its mission for its shareholders and guarantors. In order to judge the good understanding of the objectives and the quality of that contribution, staff members are assessed annually by their managers through individual interviews. The individual interview is a preferred means of exchange allowing the staff member and their manager to review the past year, to discuss targets for the following year and to review the professional career and expectations of each of them. Particular attention is also paid to workload and work-life balance.
Each entity has its own tools and processes to formalise such assessments, observing local features and rules. Within Dexia and Dexia Crédit Local, annual assessments and targets (both business and behavioural) are presented by managers and staff members in a specific tool. Business objectives are based on strategic orientations and are linked to the business of the Group's staff members. Behavioural objectives are defined for each staff member, based on the Group's values. Specific objectives are assigned to the operational risk correspondents and permanent control referents in order to guarantee compliance rules within the Group. This system allows for the reinforcement of individual monitoring of each staff member and managerial involvement, performance monitoring and aims to ensure the collaboration of each staff member towards the common objective.

Furthermore, as part of professional support and talent development, the Human Resources department conducts professional interviews with each staff member every two years. The aim of these regular individual interviews is to take stock of the staff member's career and, with strict confidentiality, to consider their professional prospects by defining the associated training resources. They also provide an opportunity to discuss the various aspects of professional life: job content, management, remuneration, work-life balance and professional project.
In addition, career interviews can be held at any time with the Human Resources department to address the same points mentioned above.

Prevention of social risks, health and safety

Eager to follow the policy to prevent psychosocial risks adopted several years ago, in 2020 Dexia renewed the mechanisms for assistance and the prevention of psychosocial risks put in place in Paris and Brussels. Several information and feedback vectors currently allow for the detection of those risks within the entities (business partners, the work doctor, social assistants, staff representatives and so on).
As for prevention, a certain number of measures were put in place within the entities, particularly preventive medicine consultations and attendances by work psychologists and/or a social assistant, online yoga courses, ergonomic advice and a scheme dedicated to helping staff members leaving the company for economic reasons.
The Dexia Group also regularly organises awareness conferences for staff members concerning psychosocial risks, conferences on well-being and life quality, training and practical workshops on stress management, sleep-stress interactions, sleep and daily performance and so on, as well as coaching sessions.
Situations declared to be stressful are taken in hand and accompanied by different means: interviews with the Human Resources department, coaching measures and psychological support.
The Group and its subsidiaries comply with local regulations in force and apply specific procedures associated with the health and safety of staff members at work. The documents associated with health and safety at work are available on local intranets and regularly updated.
Individual monitoring by the Human Resources department is carried out if a potential psychosocial risk situation is detected.
The number of work accidents notified at Dexia and in its entities is extremely limited and consequently not significant.

Remuneration policy

The scheme in place within the Group provides that the Dexia Remuneration Committee prepares all matters relating to remuneration policy. Its proposals are then submitted to Dexia's Board of Directors, which decides on the appropriate measures to be taken.
Dexia defines its remuneration policy in observance of the commitments made to the Belgian, French and Luxembourg States and the European Commission within the framework of the Group's orderly resolution plan. In particular Dexia applies the remuneration principles derived within the context of the G20, the national bodies and the CRD IV. The Group ensures that it makes the best use of public funds as regards remuneration.
This policy applies to both fixed (non-performance-related) remuneration and any variable (performance-related) remuneration, the general principles of which apply to all staff members. These principles include aligning remuneration policies and practices in order to create a balance between fixed and variable remuneration that does not encourage excessive risk-taking and establishing methods for assessing the relationship between performance and variable remuneration.
In order to comply with rules and recommendations on good governance and sound remuneration practices and to avoid in any way incentivising excessive risk-taking, the Dexia Group has sought to reduce the variable component of remuneration for those of its members of staff who are contractually entitled to variable remuneration. The variable component of remuneration may not exceed 0.3 times a staff member's annual fixed remuneration.
The remuneration policy and its implementation are regularly assessed in order to identify provisions which require adaptation particularly in view of the entry into force of new legal or regulatory provisions.
In 2020, Dexia carried out an in-depth benchmarking of remuneration packages in comparison with other players in the financial sector in order to support the policy of attracting and retaining talent.
Furthermore, Dexia has prepared for the compliance of its remuneration policy with the CRD V. The main principles have already been defined and will be included in the new remuneration policy to be reviewed in 2021.

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

The Dexia Group remuneration policy contains distinct provisions applicable to a specifically identified population by virtue of their tasks likely to impact the Group's risk profile. This relates principally to members of the Management Board as well as staff members whose remuneration is equivalent to or more than the lowest remuneration paid to a member of the Management Board.
The remuneration of Management Board members now consists solely of a part not linked to performance, constituting a whole from which, unless there is a decision to the contrary by the Board of Directors on a proposal from the Remuneration Committee, there shall be deducted any attendance fee or thirteenth month paid to a member of the Management Board or by a third party company in which a mandate is exercised in the name and on behalf of Dexia.
In accordance with Article 17 of Appendix II to the Law of 25 April 2014 relating to the status and supervision of credit institutions, members of the Management Board of Dexia may not be granted a severance payment of more than 9 months fixed remuneration.
Notwithstanding the above, Dexia may grant a higher severance payment to a member of the Management Board if the person concerned, prior to the grant of the executive mandate, in accordance with the contractual framework in force and on the basis of their accumulated length of service within the Dexia Group, is entitled in such a case to a severance payment of more than the aforementioned payment.
Furthermore, staff members whose professional activities have a significant impact on the company's risk profile having regard to the applicable legal provisions of the CRD IV Directive and the Delegated Regulation (EU) No 604/2014, are entitled in such a case to a severance payment which may not in principle exceed twelve months of remuneration, it being possible however for that amount to reach eighteen months in specific circumstances after approval by the Ordinary Shareholders' Meeting.

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

Average annual remuneration

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

Social dialogue

All of the Group's social negotiation bodies meet at various times to consider the Group's financial situation and organisation within the context of the reorganisations.

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

In 2020 and in particular in the context of the Covid-19 crisis, Dexia endeavoured to maintain a high level of social dialogue and not to disrupt all of its obligations towards staff representative bodies. To that end, all meetings of the Social and Economic Committee in Paris and of the Works Council and the Committee for Prevention and Protection at Work in Brussels were held by videoconference and telephone conference, enabling elected representatives to express themselves during these monthly meetings. The staff representative bodies were systematically informed of developments within the company and were also consulted on decisions which had an impact on staff members' working conditions.

Moreover, in order to fulfil the obligations during consultations of the body, a remote voting platform was put in place at Dexia Crédit Local in Paris, a practice which proved to be successful.

Policy regarding equality of treatment

Professional gender equality

The Dexia Group has a proactive policy aimed at promoting professional equality between men and women. This is reflected by the adoption of concrete actions in the fields of communication, recruitment, professional training, career-mobility-promotion management, the business and private life balance and remuneration. Indicators are used to monitor this policy on an annual basis.

Dexia Crédit Local is committed to reducing gender gaps in terms of remuneration by taking into account a set of factors (e.g. gender, age, profession, experience, classification and performance) in the analysis and to implement the necessary corrective measures.

As an example, an "equality package" aimed at reducing pay gaps between men and women was negotiated in 2020 with social partners.

Dexia Crédit Local is committed to maintaining a financial incentive programme for the promotion of part-time work. Thus, part-time work at 80% is paid at 85.71% and part-time work at 90% is paid at 91.43%. 94% of the staff members working part-time at Dexia Crédit Local are women (33 women and 2 men).

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

Activities of the professional network for women

Created in 2018 on the initiative of a dozen or so female staff members, Dexi'elles, the Group's professional network for women, aims to help women at Dexia to affirm their ambitions and to encourage them to meet together and share their experiences, in order to get to know each other better and to optimise their career development. With around 80 members at the end of 2020, Dexi'elles is at the origin of a certain number of initiatives (workshops, mentoring programmes, conferences with inspiring women and so on) and increases Dexia's attractiveness as an employer.

Actions in favour of younger staff members

In 2019, Dexia created the Dex'Young movement, bringing together all staff members with permanent contracts who are under 30 years old. The aim of this movement is to perpetuate a privileged communication link between the young staff members and the top management, via proposals and recommendations emanating from the various workshops of this initiative. This group is still in place in 2020.

In Paris, Dexia Crédit Local welcomed 12 new young people on work-study contracts (apprenticeship contracts or professionalisation contracts) in September 2020 for 12 or 24-month contracts. Three work-study contracts were extended for a period of 12 months.

The company has also extended the contracts of four VIEs for a period of 12 months. These are based in Brussels and Dublin.

Furthermore, driven by the desire to strengthen teams with trained and competent resources, Dexia concluded permanent contracts with three young people who had completed their schooling after their internship or work-study within the company (two interns + one apprenticeship contract).

For each of the young people who completed their internship or work-study programme at Dexia, an individual discussion was planned with the recruitment department. This allowed to assess their experience, the strong points and points for improvement, and also to give them advice for their job search.

Combating other forms of discrimination

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

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

The profile of Dexia staff members is diverse and multi-cultural. The Group has 28 different nationalities among its staff members and can rely on the expertise of senior profiles: staff members of more than 55 years of age represent 22% of the workforce.

Combating sexual harassment and sexist acts

In 2020, Dexia appointed two representatives for sexual harassment and sexist acts, one representing the Management and the other representing the Social and Economic Committee of Dexia Crédit Local. Their appointment was communicated to all Group staff members via the intranet and relayed on social networks.

The representatives met with the Human Resources department in order to define the roles of each, the operating procedure in case of reporting and the awareness-raising actions to be carried out among staff members.

Human rights

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

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

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

Fair practices – corruption

Dexia is committed to performing its activities in a healthy and fair environment, in full compliance with all legal and regulatory provisions in force. Dexia will take all necessary measures to prevent corruption in all its activities and throughout the Group. Within that context, Dexia has established provisions applicable to all its staff members, but also to all those who work for the Group and those who act on its behalf. This is done in order to prevent corruption and to apply a zero tolerance policy in this regard.

Insofar as Dexia manages its balance sheet in run-off, does not have any new clients and currently only enters into business relations with financial counterparties for the financing of its balance sheet, the risk of corruption is considered to be relatively low.

Nevertheless, as is the case for any activity, there are risks of non-compliance and to remedy this, the Dexia Group has put in place an integrity policy with the following objectives:

- promoting honest, open and ethical behaviour, and
- ensuring respect for the laws, regulations and other professional standards, as well as observance of Dexia codes of professional ethics, codes of conduct and other Group policies, in order to enhance and to protect the reputation of Dexia. The Compliance Charter describes the role and fields of competence of the Compliance function and presents the principles of governance underlying the approach adopted by Dexia in this area.

These principles are declined in the policies and procedures put in place by all the Group entities.

Preventing corruption

The procedural mechanism dealing with corruption was strengthened in 2017. An anti-corruption code of conduct was put in place and completes the set of policies in force. It defines the different types of behaviour to be forbidden. It becomes the market standard and allows the demands of partners, financial counterparties and rating agencies to be met.

In addition to this anti-corruption code of conduct, Dexia has policies and procedures which seek to limit the risks of corruption, like the Group purchasing and supplier code of professional ethics, the charter of ethics within the context of business relations with suppliers, the policy regarding gifts, favours or invitations and the outsourcing supervision policy.

Within the context of preventing political corruption, the set of policies and procedures in force is strengthened by a policy of "risk countries", which includes the risk of corruption as an essential criterion in the classification of risk countries. The Group has also adopted a policy in relation to politically exposed persons to prevent the risk of money laundering on the basis of acts of corruption.

Finally, internal standards complete the anti-corruption mechanism by risk mapping adapted to the risk of corruption, the definition of a corruption prevention plan and the training of staff members on the prevention of that risk. Dexia trains all its staff members, at a minimum every two years, in the risks of corruption and trading influence.

At present, a person employed full time is in charge of training in Paris and a correspondent provides training in Group entities.

During 2020, Dexia recorded:

- no incident of corruption,
- no confirmed incident involving staff members,
- no confirmed incident with business partners,
- no public case against the institution or its staff members.

Preventing money laundering and terrorism financing

Dexia attaches a great deal of importance to the good management of risks regarding money laundering and terrorism financing and the effective fulfilment of national and international obligations in that respect.

To guarantee a harmonised and consistent approach across the various Group entities, Dexia has defined a series of general policies (country policies, politically exposed persons, OFAC policy and so on), on the basis of which Group entities have adopted procedures and instruction notes detailing the obligations and formalities applicable with regard to:

- knowledge and identification of clients, representatives, proxies and economic beneficiaries,
- verification in relation to official lists of criminals, terrorists, those involved in nuclear proliferation and so on, issued by national and international authorities,
- monitoring account and business relations throughout the term of the relationship,
- supervising operations and detecting suspect transactions,
- training bank staff members every two years at a maximum in the risks of money laundering and terrorism financing,
- cooperating with the regulatory and legal authorities in cases of suspicion of money laundering or terrorism financing in accordance with the applicable requirements.

Market abuse and personal transactions

Dexia has introduced measures aimed at managing the risks of market abuse, i.e. insider trading and price manipulation, in relation to financial instruments issued by Dexia and by any other issuer.

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

Integrity and prevention of conflicts of interest

Within the framework of the MIFID 2 Directive, Dexia has introduced standards to guarantee a high level of investor protection, such as the conflicts of interest policy, updated in 2020.
This policy aims to prevent conflicts of interest which could arise within the context of the activities Dexia may carry out: credit restructuring, issuance, own-account activity, outsourcing of activities and also its relations with suppliers, subcontractors and possible partners.
Dexia undertakes to respect the good functioning of the markets in which it operates, as well as the internal rules and procedures of those markets. Dexia undertakes not to intervene in operations which might contravene laws and regulations.
Dexia undertakes that market operators will show professionalism and integrity vis-à-vis intermediaries and counterparties.
Internal rules have been adopted to govern the external functions which might be exercised by executives in application of local rules or general principles on the prevention of conflicts of interest.
Dexia has a policy aimed at guaranteeing the independence of its auditors. Indeed, checks should be made, prior to the granting of an assignment that is not directly related to the statutory audit work, inter alia whether that task is not nevertheless likely to affect the independence of the auditors.

Whistleblowing

Dexia has introduced a whistleblowing system accessible to all its staff members as well as external and occasional providers of services to Dexia. It is intended to encourage staff and other relevant stakeholders to report, in good faith and in confidence, any potential or actual breach of regulations, corporate values and internal codes of conduct, or any unethical or illegal behaviour concerning matters within Dexia's competence and control.
The facts which might be the object of such a report are likely to be extremely varied: the internal whistleblowing system relates to all failures to fulfil legal, regulatory or prudential obligations as well as the internal rules of compliance, liable to cause severe harm to the Dexia Group or the general interest.

Protection of professional data and security

Discretion and observance of the requirements of professional secrecy (including banking secrecy when it is applicable) are essential, particularly with a view to protecting Dexia's reputation. In this regard, procedures have been introduced within the Dexia Group in observance of national regulations.
In addition, within the framework of compliance training, staff members are regularly taught about such obligations of discretion and observance of the separation of functions, in particular with reminders of the good practices to be adopted.
Data protection is essential and Dexia observes all national and European provisions in relation to the protection of personal data.
Following the entry into force of the General Data Protection Regulation (GDPR), Dexia identified and referenced all the processes involving personal data, and updated or amended policies and procedures which describe management of the rights of the persons concerned and the warning of breaches. With the aid of an external provider and internally, the Group also put in place training in order to make staff members aware of this regulation.
Moreover, Dexia updated its internet site to enable third parties to understand the processing of personal data undertaken by the company, their rights and contact details.

For more detailed information, please consult the Dexia internet site (https://www.dexia.com/en/about-the-dexia-group/compliance).

Environmental matters

Direct environmental impacts

As part of its policy of managing direct environmental impacts, the Dexia Group's main objective is to control CO_2 emissions from the energy consumption of its buildings and staff travel. The Group is also pursuing an active policy of waste reduction and responsible management of consumables.
Dexia has been engaged in a process of reducing its environmental impact for several years. However, in 2020, the significant reductions in impacts can be explained essentially by the health crisis, widespread teleworking and the reduction in travel that it has brought about.

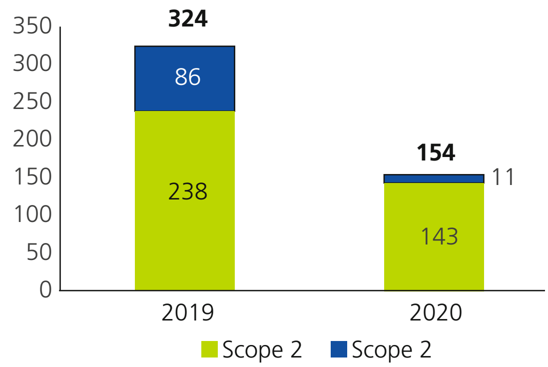
Waste management and responsible management of consumables

Systems for the selective sorting, collection and recycling of paper and internal waste (toners, electrical waste, obsolete equipment, and so on) have been put in place within the Dexia Group.
As part of its policy of responsible purchasing and reducing paper consumption, Dexia has implemented a range of actions concerning the types of paper used, such as decreasing the weight of paper and using only recycled, bleach-free virgin, PEFC-certified paper. In 2020, 1.3 tonnes of office paper were used (compared to 9.7 tonnes in 2019 and 13.5 tonnes in 2018) in Paris and Brussels. This year's very low tonnage is mainly due to the occurrence of the pandemic and the restriction of access to workplaces.

Sustainable use of resources

The emissions produced by Dexia(1) have decreased by 52%, from 324 tCO_2 in 2019 to 154 tCO_2 in 2020, mainly due to the decrease in electricity consumption (from 238 to 143 tCO_2 between 2019 and 2020) and the decrease in travel related to the health crisis. The reduction in office space, in line with the Group's operations reduction plan, also contributed to this decrease.

CHART 1 – GREENHOUSE GAS EMISSIONS BY SCOPE (IN TCO_2)

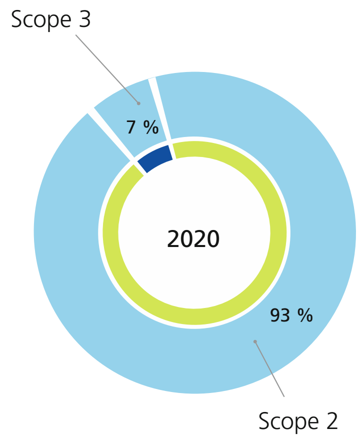


In terms of the breakdown of indirect emissions between the different types of emissions ("scopes" as defined by the GHG protocol), electricity consumption (Scope 2) accounts for 93%

(1) The figures presented in this section cover Dexia's office in Brussels, the Dexia Crédit Local office in Paris and the branch in Dublin.

of total emissions, followed by emissions from business travel (Scope 3) at 7%. Direct emissions from stationary combustion sources (Scope 1) are negligible.

CHART 2 – GREENHOUSE GAS EMISSIONS BY CONTRIBUTION OF EACH SCOPE



Scope 2: indirect emissions linked to electricity consumption
Scope 3: emissions linked to business travel

Electricity consumption

Dexia monitors data on electricity consumption and associated greenhouse gas emissions.
In order to limit its carbon footprint, Dexia is constantly seeking to improve the energy efficiency of its buildings. The Group is therefore seeking to increase the proportion of green electricity in its consumption. In Dublin, at the branch of Dexia Crédit Local, the building is supplied with 100% green electricity. In Belgium, the building occupied by Dexia is supplied with 50% green electricity.

Business travel

The reduction of emissions linked to business travel is entirely linked to the situation of generalised teleworking put in place within the context of the health crisis which marked the year 2020. Outside this crisis context, for several years Dexia has been working to reduce greenhouse gas emissions linked to the home-work journeys of its staff members by focusing on two areas: reducing journeys and minimising their impact by encouraging the use of less polluting modes of transport.
In all countries Dexia pays for public transport season tickets at 100% (Belgium) or partially (France, Italy) or encourages cycling ("Bike to Work Scheme" in Ireland). Moreover, in order to reduce business travel, staff members have had the possibility for several years to use video and telephone conferences.

Water consumption

The water consumption of the Paris and Brussels offices in 2020 was 1,585 m³ compared to 3,914 m³ in 2019. The decrease is mainly due to the teleworking of staff members within the context of the health crisis.

Environmental and social impacts of financed outstanding

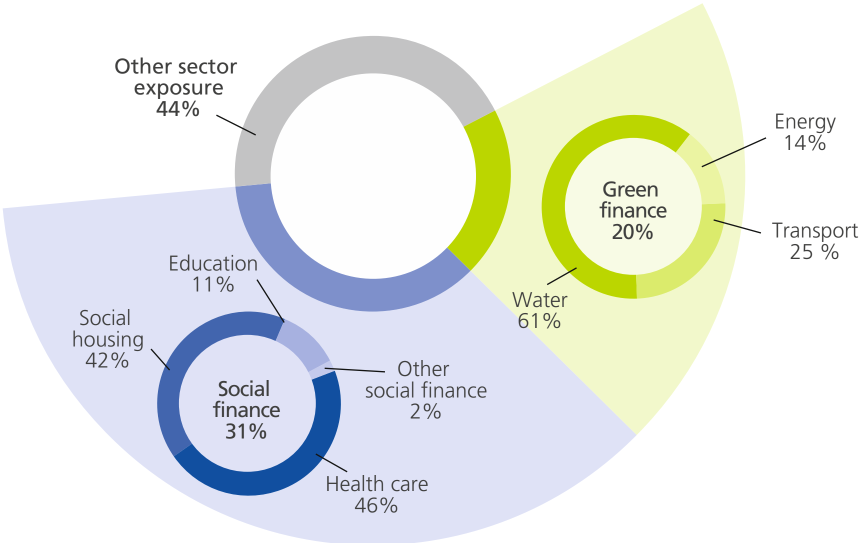
Since 2012, in accordance with the orderly resolution plan approved by the European Commission, the Group has stopped all commercial activities, including the granting of new financing. Dexia is therefore not in a position to support new sustainable projects, or actively to participate in the emerging ecological transition.
Although Dexia no longer originates any new commercial assets, the bank's historical portfolio remains dynamic. This portfolio evolves according to the natural amortisation of its positions, possible early redemptions and sales defined in the asset disposal plan. The Dexia Group is nevertheless bound to respect its contractual commitments until their end, regardless of their corporate, social or environmental characteristics. Although sensitive to the environmental issue, the Dexia Group is faced with strict financial, accounting and regulatory constraints which do not always allow it to consider CSR criteria as a priority in the execution of its portfolio and risk reduction policy.
The environmental risks for Dexia are relatively limited compared to other players. Prior to its orderly resolution in 2012, the Group was mainly active in public sector financing, in particular States, regions and local authorities, which results in a high exposure to these sectors. Financing to industrial sectors is very marginal. Moreover, Dexia has been very active in the field of renewable energy financing since the early 2000s, being a pioneer in this segment.
In order to assess the environmental and societal impact of its outstanding loans, Dexia carried out an analysis of its project and corporate finance portfolio and its public sector financing (excluding sovereigns and local authorities). This portfolio represents an amount of EUR 24.3 billion, i.e. almost one third of the total outstanding. Sovereign and local authority exposure represents EUR 51.2 billion of the total portfolio (71%).

TABLE 1 – FINANCED OUTSTANDING

	31/12/2020	
	EAD (in EUR million)	EAD (in %)
Project and corporate finance, financing to the public sector	**24,257**	**29%**
- o/w green finance	4,879	6%
- o/w social finance	8,757	11%
- o/w other sector exposure	10,620	13%
Other exposures	**58,602**	**71%**
- o/w sovereigns and local authorities	51,235	62%
- o/w financial institutions, structured finance and other	7,367	9%
TOTAL	**82,858**	**100%**

The results are presented in Table 1. Based on the assessment, 20% of project and corporate finance and public sector finance (excluding sovereigns and local authorities) goes to public or private companies or projects that contribute to the low-carbon transition ("green finance") and 36% finances societal activities such as hospitals, social housing and education ("social finance").

CHART 1 – FINANCED OUTSTANDING BY TYPE OF COUNTERPARTY AND FINANCING OBJECTIVE (AS AT 31 DECEMBER 2020)



Green finance

This financing contributes to the following United Nations Sustainable Development Goals (SDG):

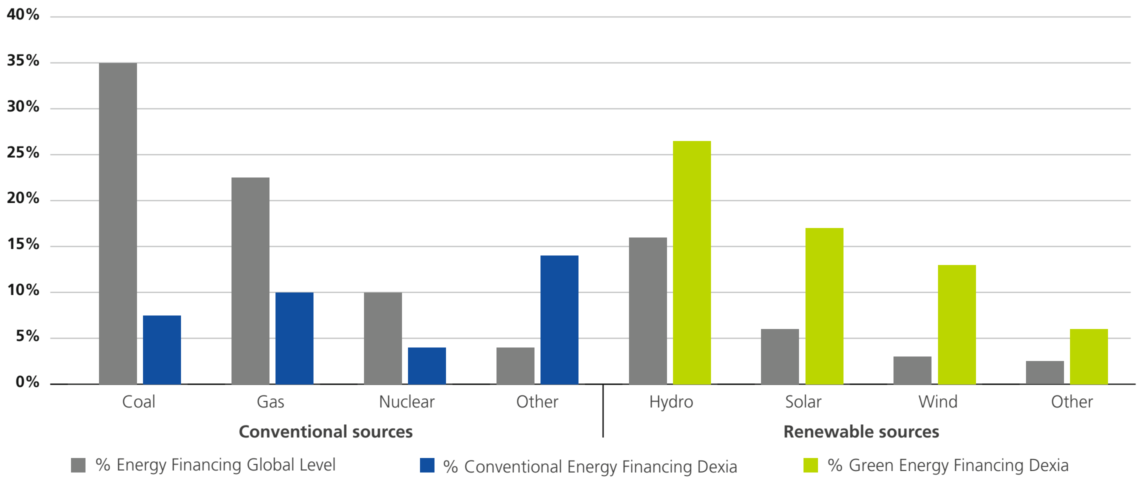
61% of green finance, representing an outstanding amount of around EUR 3 billion, is provided to companies involved in water exploitation, distribution and recycling in the UK. Their environmental impact is assessed annually by the *Environment Agency*, the government's environmental regulator for the water sector. Based on the most recent assessment published in 2019, funding to companies with an EPA (*Environmental Performance Assessment*) rating of *Good Company* (rating 3) or *Leading Company* (rating 4) was considered to be green finance.

The financing of public transport (tram or metro), which also contributes to the ecological transition, represents 25% of the analysed exposure (EUR 1.2 billion).

Furthermore, Dexia has been very active in the field of renewable energy financing since the early 2000s, being a pioneer in this segment. This is reflected in a 14% share, representing EUR 0.7 billion, of renewable energy financing (hydro, solar, wind) in the total of green finance.

Dexia's historical commitment to green energy financing is also reflected in the low share of conventional energies financed in relation to the financing of this sector at the global level (see Chart 2).

CHART 2 - FINANCED OUTSTANDING: ENERGY PRODUCTION BY ENERGY SOURCE AS AT 31 DECEMBER 2020



Social finance

Through its historical activity of financing the public sector, municipalities and local authorities, Dexia has significant outstanding loans in the health sector (EUR 4 billion), social housing (EUR 3.6 billion) and education (EUR 0.9 billion).

This financing contributes to the following United Nations Sustainable Development Goals (SDG):

Information relating to social commitments in favour of sustainable development

Dialogue with stakeholders

Dexia regularly communicates with the banking supervisors, majority shareholders and, in general, the various stakeholders in the Group's resolution. This dialogue was reinforced within the framework of the Covid-19 pandemic.

Partnership and sponsorship actions

Dexia's commitment to society is reflected by the implementation of policies and actions to benefit local actors in the different countries in which the company has a direct or indirect presence. Various permanent or ad hoc initiatives are organised within the Group. Dexia also encourages and supports voluntary work and any other individual initiative that has a positive social or environmental impact. The Group relays these initiatives through dedicated communications on its intranet.

"Duo for a Job" mentoring programme

Dexia and Dexia Crédit Local responded to the call of the association "Duo for a Job". This association puts young jobseekers of immigrant background in contact with experienced people over 50 years of age so that the latter can accompany them in their job search.

Once they are paired up, the young person and their mentor meet for two hours a week for six months. The Group had eight mentors at the end of 2020.

Collection of spectacles in favour of the OLSF association

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

End-of-year solidarity action

In this period of health crisis, the Group has made donations to several charities.
Dexia invited its staff members to participate actively in the process of selecting an association through a dedicated communication campaign. This action consisted, firstly, in proposing one or more charities which were close to their hearts and, secondly, in voting for those of their choice.
In Belgium, the associations Android 34, Espace ViVie, CAW Brussel de schutting and TADA Brussels each received a donation of EUR 4,000, while in Paris, Le Secours Populaire and the association Syndrome de Barth each received EUR 7,500 from Dexia.

Governance

Introduction

The shareholder structure

As at 31 December 2020, the main Dexia shareholders were as follows:

Shareholder name	Percentage of existing Dexia shares held as at 31 December 2020
Belgian Federal State through the Federal Holding and Investment Company	52.78%
French State	46.81%
Institutional, individual and staff shareholders	0.41%

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

Observance of applicable legislation

Dexia is a public limited company under Belgian law and a financial company. As such, it is subject to the provisions of the Codes des Sociétés et des Associations (CSA) and the *Law of 25 April 2014 relating to the status and control of credit institutions and brokerage firms* (the "Banking Law"). Since 2 December 2019, Dexia no longer has any securities listed on Euronext Brussels but it remains a public interest company within the meaning of Article 1:12 of the CSA since its still owns bonds which are listed on the regulated market of the Luxembourg Stock Exchange. In this respect, Dexia ensures compliance with its legal and regulatory obligations in terms of periodic information. The Royal Decree of 14 November 2007 "relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market" deals in particular with the obligations of issuers with regard to the information to be provided to the public and their obligations towards the holders of financial instruments. On 11 January 2012, the Financial Services and Markets Authority (FSMA) published a circular, updated on 26 May 2020, which explains this Royal Decree. In accordance with this regulation, Dexia has been using its website since 2003 to fulfil its obligations concerning the publication of the information referred to in the Royal Decree and the circular and has in particular created a separate part of the website reserved for the obligatory financial information mentioned in the circular.

Management of the Dexia Group

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

Dexia's Board of Directors

The competences, operation and responsibilities of the Board of Directors

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

Composition of the Board of Directors

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

Non-executive directors

A non-executive director is a director who does not perform executive functions in a company of the Dexia Group. The internal rules of the Dexia Board of Directors provide that at least one half of the Board of Directors are non-executive directors and at least three of the non-executive directors must be independent. It is to be noted that with the exception of Mr Pierre Crevits, Mr Giovanni Albanese and Mrs Véronique Hugues, all the members of the Dexia Board of Directors were non-executive directors as at 30 December 2020. The non-executive directors are entitled to obtain any information necessary to enable them correctly to execute their mandate and may ask management for such information.

Independent directors

The Banking Law requires the presence of independent directors in specialised committees and the internal rules provide that at least three of the non-executive directors must be independent and meet the independence criteria as defined by Article 7:87 paragraph 1 of the CSA.

These criteria, which form an integral part of the internal rules of the Board of Directors, are as follows:

1) For a period of three years preceding their appointment, independent directors may not have held a mandate as an executive member of the Board of Directors, or as a member of the Management Board or delegate for day-to-day management of Dexia or of a company or a person associated with it;

2) Independent directors may not have sat on the Board of Directors of Dexia as non-executive directors for more than twelve years;

3) For a period of three years preceding their appointment, independent directors may not have been a member of the management staff;

4) Independent directors may not receive, or have received, remuneration or other significant benefits of an asset nature from Dexia or from a company or a person associated with it, outside any percentages and fees received as non-executive members of the management or supervisory body;

5) Independent directors:

a) may not hold any social right representing one tenth or more of the capital, social funds or category of shares of the company.

b) may not have been appointed in any way by a shareholder meeting the conditions of point a).

6) Independent directors may not have entered into or maintained a significant business relationship with Dexia or with a company or person associated with it over the last financial year, either directly or as a partner, shareholder, member of the Board of Directors or member of management staff of a company or person entering into such a relationship;

7) During the last three years, independent directors may not have been a partner or employee of a current or previous auditor of Dexia or an associated company or person associated with it;

8) Independent directors may not be an executive member of the Board of Directors of another company in which an executive director of Dexia is a non-executive member of the Board of Directors or a member of the supervisory body, and may not have other significant ties with the executive directors of Dexia through positions held in other companies or bodies;

9) Independent directors may not, either within Dexia or within a company or person associated with it, have either their spouse, or the person with whom they live under a common law marriage, or an immediate family member or a relative up to twice removed exercising a mandate as member of the Board of Directors, Chief Executive Officer or member of the management staff, or in one of the other cases defined in points 1 to 8 for at least three years after the date on which the family member concerned terminated their last mandate.

Any of Dexia's independent directors who no longer meet any of the said criteria, particularly following a major change of their functions, will immediately inform the Chairman of the Board of Directors who will inform the Appointments Committee. The Appointments Committee will inform the Board of Directors and if necessary formulate an opinion.

Considering these criteria, Dexia's Board of Directors had four independent directors as at 31 December 2020, namely Mr Gilles Denoyel, Mrs Tamar Joulia-Paris, Mrs Alexandra Serizay and Mr Michel Tison.

Gender diversity

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

As at 31 December 2020, the Dexia Board of Directors was composed as follows:

GILLES DENOYEL

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

Term of mandate: 2018-2022

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

Other mandates and functions: Director of Memo Bank (France), Director and chairman of the nuclear commitments committee of EDF (France), member of the supervisory board and audit and risk committees of Rothschild&Co.

Biography: Gilles Denoyel is a graduate of the Ecole des Mines in Paris, the Institut d'études politiques in Paris (IEP) and the ENA. He was appointed Inspector of Finance at the Ministry of the Economy and Finance in 1981 before, in 1985, joining the Directorate of the Treasury as Mission Head and then Secretary General (1987) to the CIRI, Head of the Credit Insurance Office, Head of the Financial Markets Office (1989-92), Deputy Director of Insurance (1992-94) and Deputy Director of Holdings (1994-96). He then joined the CCF group in 1996 as Director Finance, Secretary General in charge of Strategy and Operations in 1998, then Deputy Director General Finance in 2000 and participated in the link-up with the British group HSBC where he continued his career as Deputy Chief Executive Officer of HSBC France from 2004. In that role, he was first in charge of central and financial functions. In 2006, he took charge of the asset management business line, insurance activities and central non-financial functions. From 2007, he supervised all the risk and control functions and relations with the supervisory authorities. In 2015, he was appointed International President Institutional Relations of the HSBC group for Europe. Since his retirement from the HSBC group, in June 2016, he has been performing advice missions in the financial sector and has been Senior Advisor at Bain Consulting. He was chairman of the group of banks under foreign control in France from 2006 until 2016 and Treasurer of the French Banking Association from 2004 until 2016. Since May 2019 he has been director and chairman of the nuclear commitments committee of EDF. Since May 2020, he has been a member of the supervisory board and member of the audit and risk committees of Rothschild&Co.

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

PIERRE CREVITS

23 May 1967 – Belgian – Executive director since 20 May 2020
Holds no Dexia shares
Chief Executive Officer and Chairman of the Management Board of Dexia
Chief Executive Officer and Chairman of the Management Board of Dexia Crédit Local

Term of mandate: 2020-2024

Other mandates and functions: Chairman of the Board of Directors of Namur Invest

Biography: Pierre Crevits is holder of Master's Degree in Economics and Social Sciences, extended by four years as an assistant at the University of Namur. He spent the rest of his career to date at the National Bank of Belgium. He held various positions there, including head of macroeconomic statistics, before taking over as head of the Bank's General Secretariat, a position he has held until 20 May 2020. From 2010 to 2014 he was seconded as Chief of Staff in the Belgian federal government. He also chaired the Scientific Committee on Government Accounts at the Institute of National Accounts from 2016 to 2020 and still chairs the Board of Directors of the Namur Invest Group

Principal fields of expertise: economics, banking supervision and regulation, strategy, HR management, crisis management.

GIOVANNI ALBANESE

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

Term of mandate: 2018-2022

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

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

BART BRONSELAER

6 October 1967 • Belgian • Non-executive director (first mandate in 2012)
Holds no Dexia shares
Director of Dexia Crédit Local

Term of mandate: Co-opted in 2020 *(definitive appointment as a director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

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

Other mandates and functions: Independent director of United Pensions OFP, director of MeDirect

Biography: Bart Bronselaer holds a degree in industrial engineering (Groep T – Leuven), as well as a master's degree in information sciences (VUB) and a master's degree in business administration (MBA – U.C. Louvain). The major part of his career (1993-2003) was spent with Merrill Lynch International in London, where he held various positions, the last chronologically as Head of Debt Capital Markets for Europe, the Middle East and Africa. There he had the task of structuring and selling financial solutions to various clients, such as financial institutions, industrial companies and public bodies. In 2003, he became an independent expert in financial services. He was Chairman of the Board of Directors of Royal Park Investments until 31 December 2013. From November 2019 to May 2020, he was Chief Executive Officer and Chairman of the Management Board ad interim of Dexia and director and Chief Executive Officer ad interim of Dexia Crédit Local. He was co-opted as a non-executive director of Dexia and Dexia Crédit Local on 9 September 2020. Since January 2021, he has been a director of MeDirect.

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

ALEXANDRE DE GEEST

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

Term of mandate: 2017-2021 *(the renewal of the mandate of director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

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

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

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

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

Principal fields of expertise: financial markets, finance, taxation

THIERRY FRANCQ

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

Term of mandate: 2019-2023

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

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

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

Principal fields of expertise: economics, financial regulation and administration

VÉRONIQUE HUGUES

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

Term of mandate: 2017-2021 *(the renewal of the mandate of director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

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

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

TAMAR JOULIA-PARIS

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

Term of mandate: 2019-2023

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

Other mandates and functions: Executive director of TJ Capital

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

Principal fields of expertise: financial company management, risk management, international regulations (banks, insurance, asset management, capital markets), sustainable finance / ESG, crisis management, finance, audit and human resources

ALEXANDRA SERIZAY

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

Term of mandate: 2017-2021 *(the renewal of the mandate of director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

Specialised committees: Chairman of the Audit Committee

Principal function: Chief of Staff of the Chairman of the Board of Sodexo

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

Biography: Alexandra Serizay is a graduate of the ESSEC. She began her career in 1997 as internal auditor with France Télécom Transpac, and then joined Deutsche Bank in London in 1999 as Associate in M&A. In 2004, she joined Bain in Paris and became Manager in 2007. In 2011, she joined HSBC France, first of all as a member of the Executive Committee of HSBC France, responsible for Strategy, and then in 2013 she became Secretary General of the Executive Committee of RBWM (Retail Banking & Wealth Management) and director in charge of customer development and offers in 2016. She also assumed a mandate within the boards of HSBC REIM France (Real Estate Investment Managers), HSBC SFH France (HSBC covered pool) and HSBC Factoring France. From September 2017 to September 2020, she held the post of Global Head of Strategy – Corporate Services at Sodexo. In June 2020 she became Chief of Staff of the chairman of the board of Sodexo.

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

MICHEL TISON

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

Term of mandate: 2020-2024

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

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

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

Principal fields of expertise: banking and finance law, audit

KOEN VAN LOO

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

Term of mandate: 2017-2021 *(the renewal of the mandate of director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

Specialised committees: Member of the Appointments Committee

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

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

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

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

CLAIRE VERNET-GARNIER

10 February 1984 • French • Non-executive director
Holds no Dexia share
Director of Dexia Crédit Local

Term of mandate: co-opted in 2020 *(the definitive appointment as a director for a term of four years will be proposed to the shareholders' meeting on 19 May 2021)*

Specialised committees: Member of the Remuneration Committee

Principal function: Head of Finance at the French Government Shareholding Agency (Agence des participations de l'État – APE)

Other mandates and functions: Director of Orano Cycle, Orano Mining and the supervisory board of the Montpellier Méditerranée Airport, Director of Orange.

Biography: Claire Vernet-Garnier is a graduate of the Ecole Nationale des Ponts et Chaussées (E-MBA, France), the Solvay Brussels Schools of Economics and Management (Belgium) and Temple University (USA). She is an alumnus of ESSEC and holds a Master in Management from Audencia Business School (France). After starting her career in 2008 in the equity syndication teams of Société Générale, she joined the Equity Capital Markets department of Bank of America Merrill Lynch as an analyst in 2010. She joined Société Générale CIB again as a Senior Analyst and then Associate in the Corporate Finance / Equity Capital Markets Large Caps teams in 2012. In 2015, she joined the pan-European stock exchange operator Euronext to head the Pre-Listing activity. Since 2018, Claire Vernet-Garnier has been Head of Finance at the APE, in charge of the primary and secondary equity market operations of the APE portfolio.

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

Observers

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

Changes in the composition of Dexia's Board of Directors during the 2020 financial year

During the 2020 financial year, the significant changes in the composition of Dexia's Board of Directors were as follows:

- On 20 May 2020, Dexia's Annual Shareholders' Meeting approved the appointment of Pierre Crevits as director. The Board of Directors of Dexia then appointed him as Chief Executive Officer and Chairman of the Management Board of Dexia.
- Bart Bronselaer, who served as Chief Executive Officer ad interim until 20 May 2020, was co-opted by the Board of Directors as a non-executive director on 9 September 2020.
- On 9 September 2020, the Board of Directors of Dexia also co-opted Claire Vernet-Garnier as a non-executive director of Dexia, replacing Claire Cheremetinski.
- Bertrand Dumont resigned from the Board of Directors on October 29, 2020.

Procedure for appointing and assessing members of the Board of Directors

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

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

This check is made at the time of the candidate's recruitment and is subject to an annual assessment. Indeed, the Board of Directors carries out a self-assessment of its operations and those of its specialised committees each year, conducted by the Chairman of the Board of Directors, in order to make the necessary adjustments and improvements to its internal rules. The criteria used to carry out the assessment include the effectiveness and frequency of the Board and its specialised committees, the quality of the information provided to the Board and its specialised committees, the remuneration of the members of the Board and its committees, and the role of the Chairman.

At the time of a director's reappointment, the Appointments Committee conducts an assessment of his or her participation in the operation of the Board of Directors and reports to the Board of Directors with a recommendation.

Activities of Dexia's Board of Directors during the 2020 financial year

The Board met 13 times in 2020 and the directors' attendance rate was very high at all the meetings.

In addition to matters falling within the ordinary remit of the Board of Directors (monitoring results, approving the budget, appointment and remuneration of Management Board members, convening of ordinary and extraordinary shareholders' meetings, minutes of specialised committee meetings), the Board dealt in particular with numerous subjects from the Audit and Risk Committees, and the following points:

- 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.

Conflicts of interest

If a director or a member of the Management Board, directly or indirectly, has an interest which conflicts with the financial nature of a decision or an operation by the Board of Directors or the Management Board, they must inform the other directors or members of the Management Board prior to the deliberation of the Board of Directors or the Management Board. Their declaration, as well as the reasons for the conflicting interest which exists, must appear in the minutes of the meeting of the Board of Directors or the Management Board which has to take the decision.

During the financial year closed on 31 December 2020 the Board of Directors did not make use of the procedure provided in Article 7:115 of the CSA which deals with conflicts of interest.

The specialised committees set up by the Board of Directors

Specialised committees are responsible for preparing Board decisions, this remaining their only responsibility. Unless the Board gives special dispensation on dedicated subjects, specialised committees have no decision-taking power. These committees are composed of at least three non-executive directors appointed by the Board of Directors for a period of two years renewable. After each meeting, a report on the committee's work is presented to the Board of Directors.

The Board of Directors has four specialised committees, namely the Audit Committee, the Risk Committee, the Appointments Committee and the Remuneration Committee in accordance with the requirements of the Banking Law.

The Audit Committee

In accordance with the internal rules and Article 27 of the Banking Law, the Audit Committee is composed of non-executive directors and a majority of independent members, including the committee chairman, who meet the criteria set out by Article 7:87 paragraph 1 of the CSA. The chairman of the committee may not chair other committees or the Board of Directors.

The members of this committee have collective skills in the fields of activity of the Dexia Group and accounting and audit, and at least one member is skilled in audit and/or accounting. The Chief Executive Officer may attend meetings of the Audit Committee, without being a member.

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

Composition

As at 31 December 2020, the Audit Committee was composed of:

- Mrs Alexandra Serizay, independent director and chairman of the committee. She has professional experience in auditing and financial analysis, acquired in particular as head of internal audit at France Télécom Transpac and at HSBC France, as a member of the executive committee. In addition, as Secretary General of HSBC France, she was in charge of financial management and member of the Risk Management Committee of HSBC France. She was also a member of the Risk Management Committee of the Retail Bank at HSBC France from 2013 to 2017.
- Mr Bart Bronselaer, non-executive director. In the course of his professional career, in particular at Merrill Lynch International where he was head of the European bond market, and at Royal Park Investments as Chairman of the Board of Directors, he has acquired experience in risk management and capital markets, skills which are essential for a good understanding of the Dexia Group's business. His mission as CEO ad interim from November 2019 to May 2020 has strengthened his knowledge of audit, accounting and financial issues specific to the Dexia Group.
- Mr Thierry Francq, non-executive director. He was secretary general of the Autorité des Marchés Financiers (AMF) and had a long career with the French Treasury, enabling him to acquire skills in financial regulation, management, finance and risk management. He was in charge of banking, insurance and financial markets regulation for 5 years at the Treasury (between 2004 and 2009). During the 2008 financial crisis, he played a key role in the implementation of support mechanisms for the financial sector in France. From 2009 to 2012, in his role at the AMF, he gained experience in corporate governance, financial communication and accounting. Prior to that, as responsible for the management of a French State's portfolio of holdings, he served as a non-executive director in several companies, including listed entities.
- Mr Michel Tison, independent director. He is Professor of Financial Law and Dean of the Faculty of Law and Criminology at Ghent University. He has extensive knowledge of banking law and experience as a member of the audit committee of Ghent University Hospital.
- Mrs Tamar Joulia-Paris, independent director. She has extensive experience in the banking sector and in particular in the ING Group where she has held management and general management positions for almost 25 years. As head of several credit departments within ING Group, responsible for

credit portfolio management and stress testing, she worked regularly with the ALM, finance and capital management departments, understanding the accounting (IFRS) impact of these activities on the income statement and balance sheet. She was also responsible for the implementation of market solutions for capital and liquidity management, and actively contributed to financial planning and stress tests, as well as to the relationship with supervisors and rating agencies.

Activities during the 2020 financial year

The Audit Committee met six times in 2020 and in particular dealt with the following matters:
• Group financial statements;
• reports on risk, liquidity, audit, validation, compliance, inspection and permanent control;
• the budget;
• the change in the IFRS 9 business model for assets targeted for sale under the remedial deleveraging plan, the impact of reclassifications and the new definition of clusters;
• ICAAP;
• capital management;
• updating VLTM long-term financial projections;
• validation of the audit and inspection plan;
• monitoring of recommendations from internal auditors, external auditors and supervisors.

The Risk Committee

In accordance with the internal rules and Article 27 of the Banking Law, the Risk Committee is composed of non-executive directors, and at least one independent director, within the meaning of Article 7:87 paragraph 1 of the CSA. The chairman of the Risk Committee does not chair any other committee and may not be Chairman of the Board of Directors. He/she must have sufficient skills in the fields of activity of the Dexia Group enabling it to understand the Group's risk strategy and level of tolerance. The Chief Risk Officer attends meetings of the Committee without being a member.
The rules associated with the competence, operation and responsibilities of the Risk Committee are described in the internal rules, the latest edition of which is published on the company's website.

Composition

As at 31 December 2020, the composition of the Risk Committee was as follows:
• Mr Bart Bronselaer, non-executive director and chairman of the committee. He has a strong background in market risk and risk management gained during his career, notably at Merrill Lynch International where he was Director of the Strategic Solutions Group for Europe, and at Royal Park Investments as Chairman of the Portfolio Management Committee. His mission as CEO ad interim from November 2019 to May 2020 has allowed him to further develop his understanding of the risk issues and challenges of the Dexia Group.
• Mr Alexandre De Geest, non-executive director. He has a sound expertise in financial regulation, corporate governance, finance and risk management. He has been an advisor to the Federal Minister of Finance for 11 years on financial matters and has been a member of the Debt Agency Strategy Committee since 2003 and has chaired this committee since April 2016. He monitored various financial subjects including Dexia, KBP, RPI, Arco and was a member of the monitoring committee for financial guarantees granted to financial institutions. For three years, he has been Government Commissioner to the Fund for the Protection of Deposits and Financial Instruments. Between 2012 and 2016, he was director of the General Administration of the Treasury and headed the Executive Committee of the Federal Debt Agency. Since April 2016, he has been CEO of the FPS Finance. His experience brings an enriching expertise to the Risk Committee.
• Mrs Tamar Joulia-Paris, independent director. She has extensive experience in the banking sector, particularly with the ING Group, where she worked for almost 25 years. She held various positions as credit manager within ING Group (head of credit risk management, head of credit portfolio management and risk appetite, head of credit markets). She then regularly advised global and regional credit institutions, insurance companies and asset managers on, among other things, the assessment and management of financial risks (credit/counterparty, market, liquidity), the management of commercial and reputational risks and the improvement of risk management culture and governance.

Activities during the 2020 financial year

The Risk Committee met nine times in 2020 and in particular deal with the following matters:
• treatment of large exposures;
• remediation plan and definition of triggers;
• quarterly risk reports (market, credit, operational and legal risks);
• ICT risk assessment;
• impacts of Brexit;
• impacts of the Covid-19 health crisis;
• outsourcing report and AML reports;
• outsourcing policy;
• market risk control plan;
• analysis of credit risk provisions;
• permanent control and compliance: activity reports and action plans;
• updating ICAAP recommendations;
• credit risk models;
• Ops & IT improvement plan: state of play;
• Updating liquidity policy;
• Articles of Association of Dexia Nederland;
• climate risk map;
• updating the Risk Appetite Framework.

Joint meetings of the Audit and Risk Committees

The Audit and Risk Committees meet whenever necessary to deal with common subjects together, on convocation by the Chairman of the Board of Directors and the Chairman of the Audit Committee and the Risk Committee if need be. These meetings are chaired by the Chairman of the Audit Committee.
The Audit Committee and the Risk Committee met together six times and dealt with the following matters:
• monitoring and management of large exposures;
• review of the IFRS 9 business model following the remedial deleveraging plan and new definition of clusters;
• ALCO Roadmap 2020;
• Covid-19: impacts on operational continuity, liquidity and capital management, changes in financial communication content and going concern;
• VLTM Q4 2019 & Landing 2020;
• ICAAP/ILAAP;
• compliance assessment;

- budget 2021 and VLTM Long-Term Financial Projections;
- review of the methodology for significant increase in credit risk (SICR).

The Appointments Committee

In accordance with the internal rules and the Banking Law, the Appointments Committee is composed of non-executive directors, of which at least one independent director, within the meaning of Article 7:87 paragraph 1 of the CSA. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The General Secretary may also attend meetings.

The Committee must have the necessary expertise in appointments policy, assessing with pertinence the skills and fields of expertise of the persons it appoints within the Dexia Group.

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

Composition

As at 31 December 2020, the composition of the Appointments Committee was as follows:

- Mr Gilles Denoyel, independent director and chairman of the committee. He has sound expertise in banking, finance and asset management, complemented by international experience of corporate management at an international level. He held managerial positions at the French Treasury where he was responsible for several teams of different sizes and then at HSBC where he successively held the positions of Chief Financial Officer, Secretary General, Deputy Chief Financial Officer and Deputy Chief Executive Officer. He gained experience in corporate governance by attending HSBC's management committees and boards of directors while serving as a director of AGF, Usinor, Pechiney and Naval Group.
- Mr Thierry Francq, non-executive director. He has sound judgement in matters of appointments, acquired during his career as a senior executive in the French Treasury. In managing a French State's portfolio of holdings, he had to rule on many appointments to highly responsible posts in several companies. As General Secretary of the AMF, he supervised the governance of companies listed in Paris.
- Mr Koen Van Loo, non-executive director. He has been a member of the Dexia Appointments Committee since 2013. As Chief Executive Officer of the Federal Holding and Investment Company (FHIC), which manages all of the Belgian Federal State holdings, and as former Chief of Staff of the Deputy Prime Minister and the Minister of Finance, he has acquired experience in the organisation and composition of boards of directors, as well as in appointment and human resources management issues. He has also gained experience in corporate management as a non-executive director of several companies owned by the Belgian federal government or the FHIC.
- Mr Michel Tison, independent director. He has relevant experience gained through his mandates in various companies and has a thorough knowledge of the applicable legal provisions, particularly in the area of governance. He has sound judgement for appointment matters.

Activities during the 2020 financial year

The Appointments Committee met nine times in 2020 and in particular deal with the following matters:

- governance: changes in the composition of the specialised committees and the Management Board of Dexia and Dexia Crédit Local;
- the appointment of the Chief Executive Officer and of new directors;
- the annual report and the remuneration report;
- the assessment of the skills of members of the Board of Directors and the specialised committees;
- the succession plan for the Board of Directors and the Management Board;
- the action plan regarding the diversity of the Board;
- the review of the internal rules.

The Remuneration Committee

In accordance with the internal rules and the Banking Law, the Remuneration Committee is composed of non-executive directors and at least one independent director, within the meaning of Article 7:87 paragraph 1 of the CSA. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members.

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

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

Composition

As at 31 December 2020, the composition of the Remuneration Committee was as follows:

- Mr Michel Tison, independent director and chairman of the committee. He has relevant experience acquired through his mandates in various companies and has in-depth knowledge of the applicable legal provisions, particularly with regard to remuneration.
- Mr Gilles Denoyel, independent director (cf. above).
- Mr Alexandre De Geest, non-executive director. He has solid expertise in financial regulation, corporate governance, finance and risk management. He has been an advisor to the Federal Minister of Finance for 11 years on financial matters and has been a member of the Strategy Committee of the Debt Agency since 2003 and has chaired this committee since April 2016. He has followed various financial issues including Dexia, KBP, RPI, Arco and was a member of the monitoring committee for financial guarantees granted to financial institutions. For three years, he was government commissioner at the Fund for the Protection of Deposits and Financial Instruments. Between 2012 and 2016, he was a director of the General Administration of the Treasury and headed the Executive Committee of the State Debt Agency. Since April 2016, he has been General Administrator of the Treasury Administration (FPS Finance).
- Mrs Claire Vernet-Garnier, non-executive director. She has relevant experience acquired through her mandates in various companies. She has also regularly supervised teams within the framework of her functions within the French Government Shareholding Agency (APE).

Activities during the 2020 financial year

The Remuneration Committee met six times 2020 and in particular dealt with the following matters:
- the directors' remuneration;
- the remuneration report;
- the remuneration of observers;
- the summary of the Group's progress over the year;
- the appointment of the Chief Executive Officer;
- the social and fiscal situation of the directors;
- the revision of the rules for the allocation of directors' fees;
- the situation relating to the closure of the New York entity.

Dexia Management Board

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

Composition

As at 31 December 2020, the Management Board was composed of:
- **Pierre Crevits,** Chief Executive Officer, Chairman of the Management Board (from 20 May 2020)
- **Véronique Hugues,** Chief Financial Officer
- **Guy Cools,** in charge of Assets
- **Giovanni Albanese,** Chief Risk Officer
- **Benoît Debroise,** in charge of Funding and Markets
- **Patrick Renouvin,** Chief Operating Officer

The General Secretariat, Group Structuring & Strategy, Human Resources and Internal Audit functions report directly to the Chief Executive Officer.

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

Expertise and professional skills

Dexia ensures that the members of the management bodies have the appropriate individual and collective skills for the proper performance of their tasks. Dexia ensures that directors and members of the Management Board together and individually have the professional experience and qualifications necessary to understand the Group's activities and the issues it faces.
On the appointment of new members of the Board of Directors and the Management Board, the Appointments Committee makes an individual assessment during which account is taken of the professional experience, technical skills and training of candidates. The prior approval of the supervisory authorities is also obtained before any appointment, renewal or dismissal of a member of the Management Board or the Board of Directors. 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.

The Transaction Committee

In line with the objectives of the orderly resolution plan and to allow the proper execution of the asset disposal plans validated in 2019, the Group management has set up a transaction committee called the "Transaction Committee".
By virtue of the delegations made by the Management Board, the task of the Transaction Committee is to approve each individual transaction which might have an impact on the risk and/or financial profile of the Group and its entities. It replaces the Credit Committee and the Finance and Liquidity Committee. The Transaction Committee meets on a weekly basis and includes the heads of the Assets, Funding and Markets, Finance, Risk and General Secretariat activity lines. It reviews every proposal concerning the sale or restructuring of assets and analyses the expected impacts in relation to criteria validated by the Management Board. A process of escalation to the Management Board is provided in the case of non-alignment of members of the committee to a transaction.

The ALCO Committee

The ALCO Committee is a transversal committee responsible, by virtue of delegations granted by the Management Board, for approving certain decisions related to balance sheet management. In particular, the ALCO Committee approves the funding plan and ALM limits and reviews the interest rate and exchange rate risk indicators of the banking book, as well as the policy for managing hedging relationships. It may, if necessary, carry out transversal studies related to the assets or liabilities side of the balance sheet (management of the liquidity portfolio, reduction of the sensitivity of the net interest margin to accounting volatility factors, etc.). The ALCO Committee delegates operational implementation to local ALCO committees. It meets monthly and includes the heads of the Finance, Risk, Funding and Markets and Assets activity lines.

Remuneration policy

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

Directors' remuneration

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

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

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 Board of Dexia Crédit Local) and attendance fees of EUR 2,000 for the meetings of the Dexia and Dexia Crédit Local Boards, EUR 1,000 for the meetings of the Audit and Risk Committees, and EUR 750 for the meetings of the Appointments and Remuneration Committees. 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 agreed that meetings lasting less than one hour are not remunerated.

If the overall annual limit of EUR 1,300,000 is reached, meetings in excess of this will no longer be remunerated. Non-executive directors do not receive any performance-related remuneration, such as bonuses and long-term incentive schemes, nor do they receive any benefits in kind or benefits related to pension plans.

Remuneration paid to the Chairman of the Board of Directors

Since 2019, and taking into account the evolution of the activities and the number of staff members 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 amounts to EUR 195,044: EUR 74,500 in the form of directors' 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 the Chief Executive Officer

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

Payment of social security contributions for some directors

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

For instance, this is the case for a director resident in Belgium who is subject to the salaried employee system or to the system applicable for public servants as a principal activity and who is required to contribute as an independent worker additionally because of their office held, without benefiting from increased social insurance compared with what they already qualify for because of their principal activity.

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

To qualify for this payment, directors must meet the conditions required. In 2020, Dexia paid in total EUR 55,285.18 of special security contributions for directors who are in this situation.

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)	Remu-neration 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
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 directors' fees and EUR 120,544 (of which EUR 68,000 paid by Dexia Crédit Local and EUR 52,544 paid by Dexia) in the form of salary.
(2) Chairman of the Board or of a committee as at 31 December.
(3) Executive director from 1 January to 20 May 2020 and non-executive director since 9 September 2020.
(4) Resigned 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) Remuneration of Mr Th. Francq is paid as follows: 15% to the French Treasury and 85% to Mr Th. Francq.
(7) Resignation effective on 9 September 2020 (Dexia) and 29 September 2020 (Dexia Crédit Local).
(8) Appointment on 9 September 2020 (Dexia) and 29 September 2020 (Dexia Crédit Local).

Remuneration of the members of the Management Board of Dexia for 2020

Composition of the remuneration

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

Consequently, no variable remuneration was or will be granted for the year 2020 to members of the Management Board.

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

Remuneration for the year 2020

The basic remuneration consists only of a fixed part.

SUMMARY TABLE OF THE BASIC REMUNERATION PAID IN 2020 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Gross basic remuneration
Bart Bronselaer [1]	232,258
Pierre Crevits [2]	367,742

(1) Chairman of the Management Board until 19 May 2020.
(2) Chairman of the Management Board from 20 May 2020.

SUMMARY TABLE OF THE BASIC REMUNERATION PAID IN 2020 TO OTHER MEMBERS OF THE MANAGMENT BOARD

(in EUR)	Gross basic remuneration
Other members of the Management Board [1]	2,398,403

(1) Mrs Véronique Hugues, Messrs Giovanni Albanese, Benoît Debroise, Guy Cools and Patrick Renouvin.

Supplementary pension schemes for members of the Management Board

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

Characteristics of the applicable supplementary pension schemes

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

Amounts paid under these supplementary pension schemes

Annual premiums of EUR 93,547 were paid in 2020 to the members of the Management Board, of which EUR 73,669 to the Chairman of the Management Board and EUR 19,878 to the other members of the Management Board.

Supplementary death cover, permanent invalidity and health costs

Collective annual premiums of EUR 111,029 were paid in 2020 for the benefit of the members of the Management Board for supplementary death cover, permanent disability and health costs, the breakdown of which is shown in the table below.

SUMMARY TABLE OF DEATH COVER, PERMANENT INVALIDITY AND HEALTH COSTS PAID IN 2020 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Death cover, orphans	Invalidity	Health costs
Bart Bronselaer	14,169	7,161	458
Pierre Crevits	23,729	9,572	366

SUMMARY TABLE OF DEATH COVER, PERMANENT INVALIDITY AND HEALTH COSTS PAID IN 2020 TO OTHER MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Death cover, orphans	Invalidity	Health costs
Other members of the Management Board	6,499	2,896	46,179

Other benefits granted to the members of the Management Board

SUMMARY TABLE OF BENEFITS GRANTED IN 2020 TO THE CHAIRMAN OF THE MANAGEMENT BOARD

(in EUR)	Representation costs	Telephone allowance	Car allowance
Bart Bronselaer	0	69	1,357
Pierre Crevits	5,714	111	4,160

SUMMARY TABLE OF BENEFITS GRANTED IN 2020 TO OTHER MEMBERS OF THE MANAGEMENT BOARD

(in EUR)	Representation costs	Telephone allowance	Car allowance
Other members of the Management Board	0	0	27,700

Option plan

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

Severance conditions

Provisions relating to severance payments under the Dexia remuneration policy

According to Dexia remuneration policy, any severance payment must correspond to effective performances in time and be designed not to reward failure or improper conduct.

Members of the Management Board of Dexia cannot be granted a severance payment of more than nine months of fixed remuneration.

Departing from the above, Dexia may grant a higher severance payment if the person concerned, prior to the grant of the executive mandate, in accordance with the contractual framework applicable and on the basis of their accumulated length of service with the Dexia Group, might be entitled, in the case of severance, to a payment in lieu of notice higher than the aforementioned severance payment. Those conditions might be applicable to Mrs Véronique Hugues and Messrs Giovanni Albanese, Guy Cools, Benoît Debroise and Patrick Renouvin.

Departures during the year 2020

M. Bart Bronselaer resigned as CEO ad interim on 19 May 2020. No severance payment was made on that occasion.

Internal control and risk management system

Principal characteristics of the internal control system

Nature and objectives of internal control

The Dexia Group[1] is subject to the Single Supervisory Mechanism and the Single Resolution Mechanism put in place by the European authorities. The objectives and organisation of its internal control fall within the framework defined for these supervisory and resolution mechanisms as well as by the legislation and regulations of the countries in which Dexia operates.

(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 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 risk 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 proved to them by their superiors;
- **The second level of control** is performed by specialised functions, independent from the activities controlled, or staff members who are independent of the activities controlled;
- **The third level of control** is performed by the Dexia Group's Audit activity line, the task of which is, through periodic checks, to ensure that there is efficient and effective performance of both of the levels of control defined above, within the holding company and all of its entities.

The main internal control participants

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

The responsibilities of the Board of Directors and the Management Board

The Board of Directors is responsible for defining the bank's general strategy and risk appetite. It is also ultimately responsible for the management of risks and relations with shareholders. As for internal control, this includes:
- assessing the introduction of independent control functions;
- monitoring the correct evaluation of the risks run by the bank and the proper balance between the strategy and the human and financial resources allocated to ensuring the control of such risks;
- examining the policies in place to ensure compliance with laws and regulations, including regularly examining the Compliance Charter, the Internal Audit Charter and the remuneration policy;
- examining control and activity reports issued periodically by the main participants in internal control, in accordance with the regulations and their procedures.

Specialised committees (the Risk Committee and the Audit Committee) advise the Board of Directors on the bank's global strategy and risk appetite. As for internal control, these committees assist the Board of Directors in its task of assessing the bank's level of risk and in the introduction of an appropriate internal control system. They also assist the Board in examining reports from internal control.
The Management Board is responsible for the operational establishment and maintenance of an appropriate internal control system. It is entirely responsible for providing the resources and skills appropriate to the internal control functions. It sets the deadlines for implementation and allocates the means to internal control actions decided. Finally, it adjusts these requirements in relation to internal and external developments observed.

The independence of the internal control function

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, who reports to the Chief Executive Officer of Dexia. The General Auditor guarantees the appropriate cover of risks throughout the Group as a whole. He monitors the supervisory bodies of the entities, as well as all the tasks performed by the local bank supervisory authorities. The General Auditor periodically reports to the Management Board and to the

Audit Committee on the tasks, powers and responsibilities of internal audit, the degree of implementation of the audit plan and the assessment of the internal audit environment.

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

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

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

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

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

Organisation of the Audit function

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

Management of the Audit activity line

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

The Audit department of Dexia is responsible for:

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

Relations with the supervisory authorities and 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 New York and Dexia Crediop, in particular in the performance of assignments relating to IT security and credit risk linked to monolines.

The Inspection Unit

Role

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

Organisation and governance

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

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

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

General overview of activity during the year 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's dealing rooms under an audit mission format.

The Compliance function

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

Compliance is an integral part of the internal audit mechanism of credit institutions and investment companies. The Compliance department at Dexia 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. For the areas covered by Compliance, it provides an interpretation of national and international legislation and regulations and ensures that these provisions are included in the policies, procedures and other documents of the institution;
- It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial products and the impacts in terms of evolution of the Group's scope;
- It provides assistance to business lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct, in order to ensure the compliance with regulations and external or internal norms;
- It develops and provides compliance training programmes, adapted to the needs of business lines, promoting an appropriate compliance culture and awareness and understanding of standards, procedures and lines of conduct to be applied;
- To the extent that it is required by local regulations, it communicates with the financial supervisory authorities or any other competent authority about any suspect incident or transaction;
- It regularly presents its activities and reports on the status of any major shortcomings to the Management Board, the Board of Directors, the Audit Committee and the Risk Committee.

Organisational structure

The Chief Compliance Officer of the Dexia Group 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 the chairmen of specialised committees 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 within the framework 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, with the aid of an external service provider, put in place training in order to make all staff members aware of this regulation.

Charter

The role of Compliance and the guidelines underlying the approach adopted by Dexia and Dexia Crédit Local are included in the Compliance Charter, approved by the Board of Directors and applicable since 2009. Since then it has been periodically reviewed.

Since 2015, the Compliance Charter has included the contributions of the CRD IV regarding the provisions relating to the Chief Compliance Officer and has enabled the areas of competence of Compliance Officers of the entities to be broadened if the regulations so require.

The Compliance Charter is applicable to all the regulated entities in the Dexia Group.

Permanent control

The Permanent Control mechanism outside Compliance relies firstly on the realisation of controls conceived, realised and formalised under the primary and direct responsibility of the operating units concerned and their managers (first level permanent control). In other units, it relies on agents exclusively dedicated to control tasks, independently of operating units (second level permanent control).

The Permanent Control department is part of Permanent Control, Operational Risk and IT Systems Security within the Risk activity line. This positioning, close to the operational risk management function, allows a tighter association of the review of controls and risk assessment of the Group's main processes. Other specialised units also carry out second-level controls in the areas of accounting, 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 and 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 the supervisory authorities.
At a consolidated level for all entities and service providers, the Permanent Control department sees to the quarterly performance of the controls of the plan, ensuring a second reading of the proper implementation of controls and making a critical analysis of the results having regard to the risks identified. Permanent Control may ask for any substantiation of the differences observed and ensures the implementation of the necessary action plans, enabling malfunctions to be remedied.
The Permanent Control department is coordinated with other internal control participants and uses a tool and risk references and processes common to the entire Group. It receives the result of the second level controls performed by other independent control functions. The Permanent Control department accounts for its work to the Chief Risk Officer, the Management Board and the Risk Committee.

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

The financial statements

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 subsidiaries which do not have their own Accounting departments, if that task is not performed by a fiduciary.
The Accounting department also has a role of analysing and controlling the accounting data of branches, as part of the process of preparing the statutory accounts. In collaboration with the 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 be of interest in its task or the recipient of minutes. Through regular contacts with its local correspondents, it ensures the proper dissemination of Group principles and proper interpretation of instructions given. It participates in the development of IT systems, so as to ensure that its specific requirements are taken into account, in particular to guarantee the integrity of the financial information.

Dexia statutory financial statements

Dexia head office accounting and also that of the permanent establishment in Paris is kept in Brussels.
Additional checks are made by teams in the Accounting department when drawing up the quarterly or annual financial statements, in order to justify the accounting balances and the principal changes of the major financial aggregates.

Dexia consolidated financial statements

In order to prepare their contribution to the Dexia consolidated financial statements, the consolidated entities reprocess their statutory financial statements established in line with local standards in order for them to comply with the accounting principles of the Dexia Group (IFRS accounting standards as adopted in the European Union). These principles are compiled in a consolidation manual sent to each Group entity. They are completed, on each accounting date, by operational instruction notes provided to the entities by the head office Consolidation department. These instruction notes present the improvements to be made to processes with a view to observations made over previous periods and detail the developments to be taken into account (systems, new data to be provided and so on) over the period.
The financial statements sent to the Group by the various entities are then consolidated and are subject to certain adjustments. The principal account adjustments by the Consolidation service relate to the elimination of reciprocal accounts and intragroup transactions (acquisitions/asset disposals, dividends and so on). They also deal with the treatment of companies held by different Group entities.
When the consolidated financial statements have been finalised, they are submitted for review to the Chief Financial Officer who has them approved by the Management Board. They are then presented to the Audit Committee and signed off by the Board of Directors of Dexia.
Some of the notes and appendices to the consolidated financial statements are not drawn up directly by the Accounting Control department, but come from the various departments, such as Financial Strategy, the Risk activity line, the General Secretariat or Human Resources.
The planning of the provision of this information and the final responsibility for the content of the consolidated financial statements are assumed by the Finance activity line.

Periodic prudential reporting

The standardised Common Reporting or COREP and the calculation of the solvency margins on a consolidated basis are sent four times a year to the National Bank of Belgium and to the *Autorité de Contrôle Prudentiel et de Résolution*. The latter forwards it to the European Central Bank.
Dexia is subject quarterly to the consolidated Financial Reporting or FINREP of financial companies.
Dexia is also subject to other banking prudential reporting.

Management information

The financial statements (balance sheet, off-balance-sheet, income statement, cash-flow tables and appendices) are not the only detailed elements of analysis which Dexia sends to its shareholders, its investors and the public. They are completed by financial indicators, breakdowns and results analyses, outlooks and risk assessments, which are integrated in the annual report, 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 account 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 entitled "Risk Management" in this Annual Report.

External control

Statutory auditors

The statutory auditors make regular checks on the financial reporting of the various entities and subsidiaries of the Dexia Group.
They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties, they analyse the accounting procedures and assess the internal control systems necessary for reliably establishing the financial statements. They issue instructions to the statutory auditors of the entities and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Lastly, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial position and results of the company and that the information given in the notes is appropriate. They issue an opinion on the Group's statutory and consolidated financial statements.
By virtue of Article 14 of the Articles of Association of Dexia, the auditing of the company's financial position and annual financial statements is entrusted to one or more auditors who are appointed by the shareholders' meeting for a maximum of three years on the recommendation of the Board of Directors and after validation by the works council.
The statutory auditing of Dexia's financial statements has been entrusted to Deloitte Reviseurs d'Entreprises SRL and Mazars Reviseurs d'Entreprises SCRL, the mandate of which was renewed by the ordinary shareholders' meeting on 20 May 2020, for a term of three years closing at the end of the ordinary shareholders' meeting in May 2023. The company Deloitte is represented by Mr Franky Wevers, chartered auditor and the company Mazars by Mr Xavier Doyen, chartered auditor.
This table gives an overview of the remuneration paid to the auditors for their services in 2020 for Dexia and the entire Dexia Group.

DELOITTE (in EUR thousand)	**Services provided for Dexia**	**Services provided for the Dexia Group (consolidated amounts)**
a) Audit of the individual and consolidated financial statements and limited examination – Parent Company	205	205
b) Audit of the individual and consolidated financial statements and limited examination – Consolidated subsidiaries	0	1,360
c) Services other than audit of the financial statements	0	7
TOTAL	**205**	**1,572**

MAZARS (in EUR thousand)	**Services provided for Dexia**	**Services provided for the Dexia Group (consolidated amounts)**
a) Audit of the individual and consolidated financial statements and limited examination – Parent Company	204	204
b) Audit of the individual and consolidated financial statements and limited examination – Consolidated subsidiaries	0	1,318
c) Services other than audit of the financial statements	0	7
TOTAL	**204**	**1,529**

Dexia Group prudential structure

In 2020, the European Central Bank (ECB) proposed a modification of the terms for the prudential supervision of the Group. The framework for the supervision of Significant Institutions (SI), adapted to large active banks, was no longer really suitable for a group in resolution such as Dexia and the objectives of proportionality, efficiency and coherence targeted by the supervision were therefore no longer achieved.

Indeed, since 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 (NBB). At entity level, Dexia Crédit Local is supervised by the ACPR and Dexia Crediop by the National Bank of Italy.

Consolidated Financial Statements as at 31 December 2020

Consolidated balance sheet

ASSETS (in EUR million)	Note	31/12/2019 [(1)]	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	36,301	37,332
Financial assets at amortised cost - Interbank loans and advances	2.6	23,087	21,507
Financial assets at amortised cost - Customer loans and advances	2.7	32,418	27,532
Fair value revaluation of portfolio hedges		576	426
Current tax assets		15	31
Deferred tax assets	4.2	20	0
Accruals and other assets	2.8	157	99
Tangible fixed assets	2.9	50	31
Intangible assets	2.10	29	21
TOTAL ASSETS		**120,326**	**114,427**

(1) The figures 2019 have been revised. An amount of EUR 634 million has been reclassified from "Cash and central banks" to "Financial assets at amortised cost - Customer loans and advances".

The notes on pages 73 to 151 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	14,780	12,525
Hedging derivatives	4.1	19,184	20,548
Interbank borrowings and deposits	3.2	11,778	9,831
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	35	35
Accruals and other liabilities	3.5	336	371
Provisions	3.6	243	221
Subordinated debt	3.7	20	19
Total liabilities		**112,964**	**107,740**
Equity	3.8	**7,362**	**6,687**
Equity, Group share		7,302	6,631
Capital stock and related reserves		2,489	2,489
Consolidated reserves		6,152	5,262
Gains and losses directly recognised in equity		(441)	(502)
Net result of the period		(898)	(618)
Minority interests		60	56
TOTAL LIABILITIES AND EQUITY		**120,326**	**114,427**

The notes on pages 73 to 151 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	4,421	2,797
Interest expense	5.1	(4,390)	(2,785)
Commission income	5.2	10	6
Commission expense	5.2	(17)	(17)
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	(149)	(69)
Net gains (losses) arising on derecognition of financial assets measured at amortised cost	5.5	(254)	(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	72	30
Other expenses	5.7	(67)	(40)
NET BANKING INCOME		**(746)**	**(216)**
Operating expenses	5.8	(350)	(303)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.9	(29)	(31)
GROSS OPERATING INCOME		**(1,125)**	**(550)**
Cost of credit risk	5.10	265	(169)
OPERATING INCOME		**(860)**	**(719)**
Net gains (losses) on other assets	5.11	0	101
NET RESULT BEFORE TAX		**(860)**	**(618)**
Income tax	5.12	33	(1)
Result from discontinued operations, net of tax	4.6	(111)	0
NET INCOME		**(938)**	**(619)**
Minority interests		(40)	(1)
NET INCOME, GROUP SHARE		**(898)**	**(618)**

(1) Figures as of 31/12/2109 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's consolidated financial statements.

The notes on pages 73 to 151 are integral part of these 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			**(938)**			**(619)**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	13		13	(108)		(108)
Changes in fair value of debt instruments at fair value through other comprehensive income	71	(1)	70			
Revaluation of hedging derivatives	143	1	144	46	1	47
Other comprehensive income from disposal groups held for sale [(1)]	248		248			
Elements that will never be reclassified or likely to be subsequently reclassified in net income						
Actuarial gains and losses on defined benefit plans	(3)		(3)	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
Reevaluation directly recognised in equity of equity instruments at fair value through other comprehensive income	1		1	(5)	1	(4)
Transfer within consolidated reserves of reevaluation of equity instruments at fair value through other comprehensive income, upon their derecognition	(1)		(1)			
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**465**	**(6)**	**459**	**(62)**	**2**	**(60)**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(479)**			**(679)**
of which, Group share			(438)			(678)
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 248 million.

The notes on pages 73 to 151 are integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves				Consolidated reserves	Gains and losses directly		
	Capital stock	Related reserves	Treasury shares	Total		Change in fair value of debt instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of equity instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of cash flow hedges, net of taxes
AS AT 31 DECEMBER 2018	**500**	**1,990**	**(1)**	**2,489**	**6,390**	**(212)**	**0**	**(578)**
Movements during the period								
Appropriation of net income 2018					(473)			
Subtotal of shareholders related movements					**(473)**			
Translation adjustments								
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity						33	1	
Equity instruments at fair value through other comprehensive income : transfer of the cumulative gain or loss within equity					1		(1)	
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income						135		
Reclassification of financial assets at amortized cost into financial assets at fair value through other comprehensive income (change in business model) (1)						(98)		
Reclassification of financial assets at amortized cost into 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								
Subtotal of changes in gains and losses directly recognised in equity					**1**	**70**	**0**	**142**
Net income for the period								
Impact disposal Dexia Kommunalbank Deutschland								
Impact of the increase of the percentage interest in Dexia Crediop					234		1	4
AS AT 31 DECEMBER 2019	**500**	**1,990**	**(1)**	**2 489**	**6,152**	**(142)**	**1**	**(432)**
Movements during the period								
Appropriation of net income 2019					(898)			
Subtotal of shareholders related movements					**(898)**			
Translation adjustments								
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity						84		
Equity instruments at fair value through other comprehensive income : transfer of the cumulative gain or loss within equity					5			
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income						8		
Reclassification of financial assets at amortized cost into financial assets at fair value through other comprehensive income (change in business model)						(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								
Transfers								
Subtotal of changes in gains and losses directly recognised in equity					**5**	**1**	**0**	**47**
Net income for the period								
Impact of the increase of the percentage interest in Dexia Crediop					3			
AS AT 31 DECEMBER 2020	**500**	**1,990**	**(1)**	**2,489**	**5,262**	**(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 73 to 151 are integral part of these consolidated financial statements.

recognised in equity							Minority interess			
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	Net income, Group share	EQUITY, GROUP SHARE	Capital and reserves	Gains and losses directly recog-nised in equity	Total	EQUITY
(248)	0	48	88	(902)	(473)	7,504	335	2	337	7,841
					473	0			0	0
					473	**0**			**0**	**0**
			14	14		14			0	14
				34		34			0	34
				(1)		0			0	0
				135		135			0	135
				(98)		(98)			0	(98)
				124		124			0	124
				(6)		(6)		1	1	(5)
				24		24			0	24
		(13)		(13)		(13)			0	(13)
	(2)			(2)		(2)		(1)	(1)	(3)
0	**(2)**	**(13)**	**14**	**211**		**212**		**0**	**0**	**212**
					(898)	(898)	(40)		(40)	(938)
248				248		248			0	248
	(3)			2		236	(234)	(2)	(236)	0
0	(5)	35	102	(441)	(898)	7,302	60	0	60	7,362
					898				0	
					898	**0**			**0**	**0**
			(108)	(108)		(108)			0	(108)
				84		84			0	84
		(5)		(5)		0			0	0
				8		8			0	8
				(92)		(92)			0	(92)
				40		40			0	40
				7		7			0	7
		2		2		2			0	2
	2			2		2			0	2
										0
0	**2**	**(2)**	**(108)**	**(61)**		**(56)**		**0**	**0**	**(56)**
					(618)	(618)	(1)		(1)	(619)
						3	(3)		(3)	0
0	(3)	33	(6)	(502)	(618)	6 631	56	0	56	6,687

Consolidated cash flow statement

(in EUR million)	31/12/2019	31/12/2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(938)	(619)
Adjustment for:		
- Depreciation , amortization and other impairment	29	31
- Impairment losses (reversal impairment losses) on bonds, loans and other assets	(328)	157
- Net (gains) or losses on investments	95	(101)
- Net increases (net decreases) in provisions	(129)	(19)
- Unrealised (gains) or losses on financial instruments	221	(55)
- Deferred taxes	(13)	21
Changes in operating assets and liabilities	770	1 105
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(293)**	**520**
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)	0
Cash outflow related to lease liabilities	(10)	(20)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(116)**	**(20)**
NET CASH PROVIDED	**(74)**	**510**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**10,626**	**10,578**
Cash flow from operating activities	(293)	520
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	**10,578**	**11,150**
ADDITIONAL INFORMATION		
Income tax paid	(18)	3
Dividends received	9	1
Interest received	7,633	5,225
Interest paid	(7,708)	(5,418)

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

The notes on pages 73 to 151 are integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods, ownership interests in subsidiaries and other entities, significant items included in the statement of income, other significant events of the year, operational risk management during the resolution period and post-balance-sheet events.

1.1. Accounting policies and valuation methods

GENERAL INFORMATION

The Group's parent company is Dexia, a limited company under Belgian law whose shares are no longer publicly traded following its delisting from Euronext Brussels as from 2 December 2019. Its registered office is located at Place du Champ de Mars 5 – B-1050 Brussels (Belgium).
These consolidated financial statements were authorised for issue by the Board of Directors on 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's consolidated financial statements are prepared in accordance with the IFRS adopted by the EU.
The European Commission published Regulation EC 1606/2002 on 19 July 2002 requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.
Dexia's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to 31 December 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 as at 31 December 2020 were prepared in line with the accounting rules applicable to a going concern in accordance with the accounting standards IAS 1 § 25 and 26. This requires a number of constituent assumptions underlying the business plan for the resolution of the Dexia Group, decided upon by the European Commission in December 2012, and reassessed on the basis of the elements available on the date on which the financial statements were approved.
The assumptions and estimates made by management for the preparation of the consolidated financial statements as at 31 December 2020 have changed compared to the 2019 financial year-end.
The main assumptions and areas of uncertainty, reinforced in particular by the situation related to the Covid-19 pandemic, are summarised below:
• The business plan assumes the maintenance of the banking licence of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at a level equivalent to or higher than the level of Investment Grade.
• The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured funding. The European Commission's confirmation of the 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, the Dexia Group is also very sensitive to changes in the macroeconomic environment and market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters over time could have an adverse impact on the Group's liquidity and solvency levels. It could also have an impact on the valuation of financial assets, liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through shareholders' equity and could lead to a change in the Group's regulatory capital.
• In particular, considering the decisions taken by the Board of Directors in 2019, relating to the implementation of an asset disposal plan for a total of approximately

EUR 13 billion[1], Dexia is exposed to the evolution of the fair value of these assets until their effective disposal.

• Furthermore the Group is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been increased by the teleworking environment imposed by the Covid-19 pandemic.

• Finally, residual uncertainties related, for example, to new changes in accounting and prudential rules over the duration of the Group's resolution could lead to a significant change in the resolution path initially anticipated.

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

• Since the Group's entry into orderly resolution, Dexia has continuously reduced its funding requirements and extended the maturity of the funding raised, with a view to prudent management of its liquidity. The acceleration of asset sales decided during the summer of 2019 has notably enabled a EUR 4.6 billion reduction in the Group's funding requirements compared to the end of December 2019, supported by the rapid reduction in the US dollar funding requirement.

In 2020, despite the particularly severe crisis context linked to the Covid-19 pandemic, Dexia executed its entire long-term refinancing programme on terms close to its budgetary target. The Group also demonstrated its ability to mobilise significant liquidity reserves on the secured debt market, which remained active, without recourse to the facilities of the European Central Bank (ECB). Indeed, Dexia was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017 [2] and which, as at 31 December 2020, amounted to EUR 18 billion, of which EUR 11 billion in cash.

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

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

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

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

• Management has also taken into account the constraints and uncertainties of its operating model as well as the going concern risks inherent to Dexia's 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 Appendix 1.4.1. to the consolidated financial statements in this annual report, into account, Dexia management confirms that as at 31 December 2020, they do not call into question the fundamentals of the Group's orderly resolution and do not lead to the assessment of the application of the going concern agreement being called into question. Consequently, the consolidated financial statements can be prepared on a going concern basis in accordance with IAS 1 § 25 and 26.

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

1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 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’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’s financial statements.

(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.

• **Amendments to References to the Conceptual Framework in IFRS Standards.** These amendments have no impact on Dexia'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 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 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's financial statements as Dexia 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'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 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's financial statements as of 31 December 2020. In 2020, the modification of the Dexia'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'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 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'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's financial statements as Dexia has no insurance contracts within the scope of the standard.

1.1.2.5. New definition of default
As stated by the European Banking Authority (EBA) guidelines, the new default definition (defined by article 178 of Regulation (EU) n° 575/2013) 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 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 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

The consolidated financial statements of Dexia 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's economic operations, Dexia 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 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 may exercise control. Entities controlled by the Group are fully consolidated. Under IFRS 10 "Consolidated Financial Statements", the Group controls an entity if and only if the Group has all the following:

- power over the entity;
- exposure, or rights, to variable returns from its involvement with the entity;
- the ability to use its power over the entity to affect those returns.

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

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

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

An investor controls an investee when it not only has power over 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 and are no longer consolidated as of the date on which Dexia's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia.

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

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

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

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

1.1.3.2. Associates and joint venture

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

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

Dexia has no equity method investments.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

1.1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.1.5.1. Foreign currency translation

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

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

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the foreign entity and are translated at the closing rate.

1.1.5.2. Foreign currency transactions

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

1.1.6. FINANCIAL ASSETS AND LIABILITIES

Dexia applies all the requirements of IFRS 9, except for the hedge accounting transactions which are accounted for in accordance with IAS 39.

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its financial instruments at initial recognition. However, under certain conditions, financial assets could subsequently be reclassified.

1.1.6.1. Recognition and derecognition of financial instruments

Dexia recognises and derecognises financial assets Held for trading measured at Fair Value Through Profit or Loss (FVTPL), that require delivery within the established timeframes (a "regular way" purchase or sale), on trade date. For these financial assets, Dexia recognises in the income statement, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia recognises these unrealised gains and losses under "Net gains (losses) on financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets not Held for trading are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia.

Dexia derecognises all or part of a financial asset if the contractual rights to the cash flows from the financial asset expire, including following substantial changes to its contractual terms (see 1.1.6.2.4. Accounting for early repayments and restructuring of loans), or if these contractual rights to receive the cash flows of the financial asset or substantially all of the risks and rewards of ownership are transferred. In this case, any rights or obligations created or retained at the time of transfer are recognised separately as assets and liabilities.

Dexia recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia derecognises financial liabilities only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. A financial liability may also be derecognised as a result of substantial changes in its contractual terms.

1.1.6.2. Classification and measurement of financial assets

On initial recognition of a financial asset, Dexia first assesses the contractual terms of the instrument in order to classify it as an equity instrument (according to the definition in IAS 32 from the issuer's perspective) or a debt instrument.

An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. In order to satisfy this condition, Dexia verifies that the instrument includes no contractual obligation for the issuer to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer. Puttable instruments do not meet the definition of equity instruments.

Any instruments issued which do not meet the criteria of equity instruments are classified as debt instruments by Dexia.

1.1.6.2.1. Classification and measurement of debt instruments

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

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

The SPPI assessment is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending

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

Business model assessment

The business model assessment is done on a portfolio basis and is relevant for debt instruments to assess whether they are allowed to be measured at AC and FVOCI.
The business model reflects how a group of debt instruments is managed based on objectives determined by the key management personnel of Dexia. A business model is a matter of fact and typically observable and is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and depending on how cash flows are generated (collecting contractual cash flows and/or selling the assets).
To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows over the life of the instrument;
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and other business models including held for trading, where collecting contractual cash flows is only incidental.

Dexia exercises judgment to determine the appropriate level at which to assess its business models.
Any significant sale project of a financial asset that is managed within the business model whose objective is to collect contractual cash flows over the life of the instrument is subject to analysis and validation by the Transaction Committee, acting as a competence center at Group level, 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 FVOCI if it meets the following conditions:

- it is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Dexia recognises debt instruments at FVOCI initially at fair value (including transaction costs). Interest is recognised based on the effective interest rate method and recorded in net interest income.
Dexia subsequently measures these instruments at fair value (see 1.1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value are recognised within equity under the heading "Changes in FV of debt instruments at FVOCI".
When assets are disposed of, Dexia recycles the related accumulated fair value adjustments in the income statement in "Net gains (losses) on financial instruments measured at FVOCI".

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

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

- it is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

Dexia recognises debt instruments at FVOCI initially at fair value (including transaction costs). Interest is recognised based on the effective interest rate method and recorded in net interest income.
Dexia subsequently measures these instruments at fair value (see 1.1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value are recognised within equity under the heading "Changes in FV of debt instruments at FVOCI".
When assets are disposed of, Dexia recycles the related accumulated fair value adjustments in the income statement in "Net gains (losses) on financial instruments measured at FVOCI".

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

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

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

These assets are mandatorily measured at FVTPL.
Dexia initially recognises and subsequently re-measures loans and debt securities held for trading and non-trading assets mandatorily measured at FVTPL in the line "Financial assets

at fair value through profit or loss" at their fair value, with all realised and unrealised gains and losses recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". According to Dexia's accounting policy choice, interest income is accrued using the effective interest rate method and is recognised in net interest income.

Debt instruments designated at Fair Value Through Profit or Loss (FVO)
In some cases and if appropriately documented, Dexia can irrevocably designate, on initial recognition, a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as measured at FVTPL (Fair Value Option (FVO)) where such designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would otherwise arise.
Unrealised gains and losses on these assets are recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". According to Dexia's accounting policy choice, interest is recognised in net interest income.

Reclassifications between categories
Financial assets are not reclassified subsequent to their initial recognition, except in the period after Dexia exceptionally changes its business model for managing financial assets. A reclassification only occurs when a change in business model is determined by the senior management of Dexia as a result of external or internal changes that are significant to Dexia'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 to manage the residual assets in run-off without any new commercial activity and without accelerated sale, the majority of Dexia's financial assets were held with an objective to collect the cash flows over the life of these assets. Another part of Dexia's financial assets were managed within a collect and sale business model.

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

The change in business model which took place in the first half of 2019 in the context of the transformation of the DCL New York branch (DCL NY) led to the reclassification of financial assets as at 1 July 2019. The 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 measures their fair value at the reclassification date and any gain or loss arising from a difference between the previous amortised cost of the financial asset (adjusted for fair value changes attributable to the interest risk being hedged) and the fair value is recognised in profit or loss and presented on a separate line in the income statement under "Net gains or losses resulting from the reclassification of financial assets at amortized cost to financial assets at fair value through profit or loss".

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

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 does not have any equity securities held-for-trading.
Dexia initially recognises and subsequently measures assets mandatorily measured at FVTPL at their fair value in the line "Financial assets at fair value through profit or loss". All realised and unrealised gains and losses and dividend income from investments in equity instruments measured at FVTPL are recorded in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss".
At initial recognition and on a case by case basis, Dexia can make an irrevocable election to include equity investments not held for trading in the FVOCI category under "Financial assets at fair value through OCI". These instruments are subsequently measured at fair value with all changes recognised in other comprehensive income under "Changes in FV of equity instruments at FVOCI" and without any recycling into the income statement. Upon disposal of the investment, Dexia reclassifies the realised amounts within equity and presents them under the heading "Consolidated reserves". Assets classified into this category are not subject to impairment.
Dividend income from investments in these equity instruments designated at FVTOCI are recognised in the income statement under "Net gains (losses) on financial instruments measured at FVOCI".

1.1.6.2.3 Classification and measurement of derivative instruments (trading and hedging)
When a derivative is not designated in a hedge accounting relationship, it is deemed to be held for trading. The main types of Dexia's derivatives are the currency and the interest

rate derivatives but Dexia also makes use of credit derivatives and equity derivatives. Dexia initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate.

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

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

Trading derivatives

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

- derivatives that are held with a hedging intent but for which hedge accounting cannot be or is not applied (economic hedge). All changes in fair value are recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest is recognised in net interest income.
- derivatives held without hedging intent (trading derivative). All fair value changes on such derivatives 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 treats derivatives embedded in financial liabilities as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract;
- when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the income statement.

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

Hedging derivatives

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

1.1.6.2.4. Accounting for early repayments and restructuring of loans

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

Restructured and modified financial assets

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

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

The following factors are 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 considers that the terms are substantially different when the net present value of the cash flows under the new terms, including any fees paid net of any fees received, is at least 10% different from the net present value of the remaining cash flows from the original loan.

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

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

1.1.6.2.5. Impairment on financial assets

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

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

Significant Increase in Credit Risk (SICR)
For financial instruments which do not show objective evidence of impairment, and which, therefore, shall be allocated to either stage 1 or 2, Dexia developed an approach based on both a qualitative and a quantitative test to assess if there is any significant increase in credit risk since initial recognition.
The quantitative test involves comparing the average probability of default (measured over the cycle) of the contract at the closing date and at the inception date. This variation of PD is then normalised by the lifetime average through the cycle PD of the contract at the inception date. These PDs are considered over a time horizon equal to the initial maturity of the financial instrument.
If the variation is above a given threshold, then, the variation of the PDs indicates that there is a significant deterioration of credit risk and that the financial instrument shall be allocated to Stage 2. This threshold is included in regular validation processes by governance bodies.
Regulatory accounting and prudential requirements also make it possible to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument presents a low credit risk on the reporting date. Although credit institutions have the possibility, for assets with "low credit risk", not to measure the significant deterioration in credit risk since origination, and thus to allocate the assets concerned directly in stage 1, the use of this exemption must be limited, and in particular can only apply to securities positions in the portfolio.
The qualitative part of the approach, relying on forward looking counterparty specific indicators, consists of allocating to stage 2 exposures which are closely followed up under the watch list process, that have been granted forbearance [1] measures or that belong to a sensitive economic sector [2].

(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'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 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's internal backtest policy. The results of these backtests are submitted to the internal validation department and presented to the management bodies.
• *Scenarios:* Dexia developed ECL projections for 3 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. Probability-weighted ECLs are then obtained by weighting the various scenario ECL outcomes with probabilities of the two alternative scenarios.

- *Cure rate:* The probability that a counterparty cures the default to return to a normal situation (i.e. with zero loss) is taken into account in all risk parameters estimations.
- *Credit Risk Mitigants:* The credit risk deterioration is measured by the default risk evolution of the original counterpart. The guarantors contractually allocated to the exposure (for example the credit risk enhancer) are taken into account in the calculation of credit risk expected loss by applying the probability of double default of both the borrower and the guarantor. The other guarantees (like the mortgages, pledges, cash collateral) when they are not recognised separately are taken into account in the calculation of expected credit loss by reducing the loss in case of default.
- *Discounting:* Yearly probability weighted ECLs are discounted to the reporting date by the effective interest rate.

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

Expected Credit Losses calculation for financial instruments classified in Stage 3
Expected credit losses are defined according to the individual characteristics of the exposure, mainly 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 has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of a financial asset is reduced. Dexia policy is therefore to recognize a loss through profit or loss upon debt forgiveness which means that no enforcement activity will take place anymore.

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

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

1.1.6.3. Classification and measurement of financial liabilities

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

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

1.1.6.3.3. Liabilities designated at Fair Value Through Profit or Loss (FVO)
In some cases and if appropriately documented, Dexia can irrevocably designate, on initial recognition, a financial liability as to be measured at Fair Value Through Profit or Loss (Fair Value Option (FVO)) where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch") that would otherwise arise ;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy ;
- a hybrid instrument with one or multiple separable embedded derivatives.

For subsequent measurement, Dexia recognises unrealised gains or losses on financial liabilities designated as at Fair Value Through Profit or Loss as follows:

- changes in the fair value attributable to own credit risk are recorded in equity under the dedicated heading "Changes in fair value of financial liabilities designated at Fair Value Though Profit or Loss attributable to own credit risk" within "Gains and losses directly recognised in equity" ;
- the remaining amount of change in the fair value is presented in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".

When liabilities designated as at fair value through profit or loss are derecognised, amounts in equity relating to own credit risk are not recycled to profit or loss. Dexia reclassifies these realised amounts within equity and presents them under the heading "Consolidated reserves".
However, if the treatment of liabilities designated as at fair value through profit or loss as described above would create an accounting mismatch in profit or loss, all changes in the fair value are presented by Dexia in profit or loss.
According to Dexia's accounting policy choice, interest is recognised in net interest income.

1.1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

1.1.7.1. Valuation principles
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Quoted market prices in an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. 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's valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs.
The valuation model should take into account all factors that market participants would consider when pricing the asset. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

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

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

1.1.7.2. Valuation techniques

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

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

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

If the market is active, market prices are the most reliable evidence of fair value and therefore shall be used for valuation purposes.
The use of market prices quoted in an active market for identical instruments with no adjustments qualifies for inclusion in level 1 within IFRS 13 fair value hierarchy, contrary to the use of quoted prices in inactive markets or the use of quoted spreads.

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

Dexia's approach to the valuation of its financial instruments is based as much as possible on observable market data. These valuations are based on independent external market data providers and standard quantitative approaches. The 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 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's general valuation principals 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 maximises the use of market data.

Dexia uses a discount cash-flow model, based on a credit spread. The credit spread is estimated from market data which are directly available from external contributors (for example Bloomberg, Markit) or, when there is no data available for a given instrument, from the issuer credit curve which is adjusted to take into account the characteristics of the specific instrument (maturity,…), or, if the issuer curve is not available, from available market data for similar instruments (for example from the same economic sector, rating, currency).
Concerning the valuation of derivatives, Dexia adjusts the market value to take into account credit risks (Credit Valuation Adjustment (CVA) / Debit Valuation Adjustment (DVA)) and funding costs (Funding Valuation Adjustment (FVA)).
A CVA reflects the counterparty's risk of default and a DVA reflects Dexia's own credit risk.
When determining the CVA / DVA, Dexia considers two different markets:
- The market of collateralised derivatives, where there is a daily exchange of collateral, for which the CVA / DVA is calculated based on expected changes of value over a margin period of risk.
- The market of uncollateralised derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.
For CVA/DVA calculation, the Probability of Default (PD) parameters are based on market data and market conventions. The Loss Given Default (LGD) parameters are based on market conventions or on internal statistical data taking into account observed recovery rates.
Based on the assumptions that market participants would consider when determining the fair value, Dexia uses an overnight rate (OIS) discouting curve for all derivatives, regardless if they are collateralised or not.
A Funding Valuation Adjustment (FVA) takes into account the funding costs associated to its uncollateralised derivative positions. As these uncollateralised derivatives are not subject to margin calls, the bank benefits from savings in funding or bears the cost depending on the direction of their net balance sheet position, and on the market values of these derivatives. The level of funding costs used in determining the FVA reflects the funding of the exposure related to uncollateralised derivatives at rates different from overnight rates.
Regarding the valuation of assets, Dexia takes into account the prepayment risk associated with these assets.
Dexia will continue to improve its models in future periods and taking into account the market practices.

1.1.7.2.2. Financial instruments measured at amortised cost (valuations in disclosures on fair value)

These instruments are valued using the same approach as described above for instruments recognised at fair value on the balance sheet.

1.1.8. INTEREST INCOME AND EXPENSE

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 presents negative remuneration on assets together with interest expense and positive remuneration on liabilities together with interest income.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Dexia recognises revenue when it transfers the control over a product or service to a customer.
Commissions and fees arising from most of Dexia's activities are recognised on an accrual basis over the life of the underlying transaction.
Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.
According to IFRS 9, loan commitment fees are recognised as part of the effective interest rate according to IFRS 9 if the loan is granted, and recorded as revenue on expiry if no loan is granted.
Fees that are not an integral part of the effective interest rate are accounted for under IFRS 15. These include fees charged for servicing a loan, commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific lending agreement will be entered into, and loan syndication fees received by Dexia that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).
Financial guarantee contract fees that are not designated at fair value through profit or loss and not in the scope of IFRS 4 "Insurance contracts" are recognised in accordance with IFRS 15.

1.1.10. HEDGING DERIVATIVES

While awaiting the future standard on macro hedging, and as permitted under IFRS 9, Dexia continues to apply the current hedge accounting requirements (IAS 39) for all its micro and macrohedge relationships.
Hedging derivatives are categorised as either:
• a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
• a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
• a hedge of a net investment in a foreign operation.
Dexia designates derivatives as hedging instruments if certain criteria are met:
• formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
• the hedge is documented in such a way as to show that it is expected to be highly effective both prospectively and retrospectively in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
• the hedge is effective at inception and on an ongoing basis.
Dexia records changes in the fair value of derivatives that are designated, and qualify 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 amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the income statement over the remaining life of the hedged or hedging instrument if shorter by an adjustment of the yield of the hedged item.
Dexia recognises the effective part of the changes in the fair value of derivatives that are designated and qualify 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 makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia manages its financial instruments.

Hedge accounting is intended to reduce the interest rate risk exposure stemming from the selected category of assets or liabilities designated as the qualifying hedged items.

Dexia performs a global analysis of interest rate risk exposure. It consists of assessing fixed-rate exposure, and taking into account all the exposure coming from balance sheet and off-balance-sheet items. This global analysis may exclude certain components of the exposure, such as financial market activities, provided that the risk exposure stemming from the excluded activities is monitored on an activity-by-activity basis.

Dexia applies the same methodology to select which assets and/or liabilities will be entered into to hedge the interest rate risk exposure of the portfolio. Assets and liabilities are included in all the time buckets of the portfolio. Hence, when they are removed from the portfolio, they must be removed from all the time buckets in which they had an impact. Demand deposits and savings accounts may be included in the portfolio based on a behavioural study for estimating expected maturity date. Dexia may designate as qualifying hedged items different categories of assets or liabilities such as loans or securities measured at amortised cost or fair value through other comprehensive income, etc.

On the basis of this gap analysis, which is realised on a net basis, Dexia defines, at inception, the risk exposure to be hedged, the length of the time-bucket, the test method and the frequency of the tests.

The hedging instruments are a portfolio of derivatives, which may contain offsetting positions. Dexia recognises the hedging items at fair value with adjustments accounted for in the income statement.

Dexia reports hedged interest rate risk revaluation of elements carried at amortised cost on the balance sheet under the line "Fair value revaluation of portfolio hedge".

1.1.12. DAY ONE PROFIT OR LOSS

The day one profit or loss is applicable to all transactions measured at fair value through profit or loss.

The day one profit or loss is the difference between:

• the transaction price and the quoted market price; in cases where the transaction is quoted; or

• the transaction price and the fair value determined by using a valuation technique, (mark-to-model) adjusted with some market value adjustments, such as a liquidity adjustment, model adjustment or credit adjustment in cases where the transaction is not quoted.

If Dexia considers the main parameters of the model as observable and if Risk Management validates the model, the day one profit or loss will be recognised immediately in the income statement.

If Dexia considers the main parameters as unobservable or if Risk management does not validate the model, the day one profit or loss will be amortised linearly over the expected life of the transaction. However, if the data becomes observable subsequently, Dexia will recognise the remaining portion of day one profit or loss in the income statement.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the income statement. In cases of partial early termination, Dexia will recognize in the income statement the part of the day one profit or loss relating to the partial early termination.

1.1.13. TANGIBLE FIXED ASSETS

Tangible fixed assets include material and equipment.

They are stated at their cost less accumulated depreciation and, if any, impairments. Subsequent costs are, where necessary, included in the carrying amount of the asset or recognised as a separate component, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. In order to determine the useful life of an asset, legal or similar limits on the use of the asset, such as the expiry dates of related leases, are taken into account. Thus, the useful life of an asset may be shorter than its economic life.

The main useful lives are as follows:

• Computer equipment: 3 to 6 years;

• Leasehold improvements, equipment and furniture: 2 to 12 years;

• Vehicles: 2 to 5 years.

• Technical installations, fixtures and fittings: 10 to 20 years.

As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.

Tangible fixed assets are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Where the recoverable amount of an asset cannot be determined individually the Group determines the recoverable amount of the cash generating unit or group of cash generating units to which the asset belongs. Gains and losses on disposals of property and equipment are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

Dexia presents the right-of-use assets related to its lease contracts under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned (see note 1.1.18.).

1.1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for

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use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.
As borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset they are capitalised. Other borrowing costs are recognised as an expense.
Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

1.1.15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or groups of assets) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as non-current assets (or disposal groups) "held for sale" if:

- they are available for immediate sale in their present condition; and
- their sale is highly probable within one year.

Dexia measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale, items of Other Comprehensive Income are isolated in a separate publication line in equity. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.
A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A re-statement for previous periods is performed.

1.1.16. GOODWILL

Dexia has no goodwill on its balance sheet and will not acquire any controlling interests in the future following the orderly resolution plan of the group.

1.1.17. ACCRUALS AND OTHER ASSETS

Accruals and other assets mainly include accrued income (non-interest related), prepayments, operational taxes and other accounts receivable as well as insurance products (reinsurance, insurance premiums receivables, etc.), construction contracts, inventories, plan assets relating to employee benefit obligations. These other assets are measured in accordance with the applicable standard. Plan assets are recognised in accordance with IAS 19 (revised) requirements.

1.1.18. LEASES

As from 1 January 2019, Dexia applies the new IFRS 16 "Leases" to its lease and sublease contracts.

As permitted by the transition requirements of IFRS 16, Dexia applies the new standard to contracts that had been previously identified as leases under IAS 17. For each contract entered into or amended as from 1 January 2019, Dexia assesses whether it is a lease or contains a lease component based on the definition of IFRS 16, which implies, on the one hand, the identification of an asset and, on the other hand, the control of the use of an identified asset:

- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset;
- control of the use of an identified asset throughout the period of use is conveyed where the customer has both the right to obtain substantially all the economic benefits from that use and the right to direct the asset's use.

In accordance with IFRS 16, Dexia does not apply the new standard to leases of intangible assets (eg software).

1.1.18.1. Dexia is the lessee

Dexia grants leases principally for the rental of equipment or real estate.
A lease, as defined by IFRS 16 "Leases" is recognised on Dexia's balance sheet as a right-of-use asset representing the right to use the underlying asset during the term of the contract and a lease liability representing the obligation to make lease payments.
Dexia has elected not to recognise a right-of-use asset and a lease liability for lease contracts with the term of less than one year (including renewal options) and to leases for which the underlying asset, when new, is of low value (Dexia applies the exemption threshold of EUR 5,000). Lease payments in respect of these contracts are recognised in the income statement as an expense on a straight-line basis over the lease term.

Measurement of the right-of-use asset

The right-of-use asset is initially measured at cost which includes the initial value of the lease liability, plus, any initial direct costs, restoration costs and advance payments less any lease incentives received from the lessor.
Subsequently, the right-of-use asset is depreciated usually on a straight-line basis over the lease term and impairment is recognised if necessary.

Measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments discounted over the lease term.
Lease payments included in the measurement of the lease liability comprise fixed lease payments, variable lease payments that depend on an index or a rate and, if applicable, amounts expected to be payable by the lessee under residual value guarantees, for purchase options or payments of penalties for terminating the lease.
In order to determine the lease term (including for 3-6-9 leases in France), Dexia considers the non-cancellable period of the contract considering, if applicable, any renewal and termination options, if Dexia is reasonably certain to use an option. In order to assess whether it is reasonably certain to exercise or not to exercise such options, Dexia uses its judgement and considers all relevant facts and circumstances that create an economic incentive for Dexia to exercise or not to exercise these options, including the conditions for exercising these options, substantial changes made to the leased premises, the costs associated with the contract termination, the importance of the leased asset for Dexia's operations as well as the outlook for the future use of the assets. 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 uses its incremental borrowing rate as the discount rate. The discount rate is set by currency and by country of Dexia's entities and considering the borrowing terms of the lessee entity. It reflects the average term weighted by the lease payment flows (duration) of the lease contract.
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 presents the right-of-use assets under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Lease liabilities are presented within "Accruals and other liabilities".
In the income statement, the depreciation charge for the right-of-use asset is presented under "Depreciation, amortisation and impairment of tangible fixed assets and intangible assets", separately from the interest expense on lease liabilities which is presented under "Interest expense".
In the cash flow statement, cash outflows related to lease liabilities are classified within financing activities for the principal portion and within operating activities for the interest portion.

1.1.18.2. Dexia is the lessor

Dexia grants both operating and finance leases. A lease is classified as a finance lease if the contract transfers substantially all the risks and rewards incidental to ownership of an asset. A contract that is not a finance lease is an operating lease.
The accounting methods applicable to Dexia as a lessor are not different from those that prevailed under IAS 17. However, when Dexia acts as an intermediary lessor, the classification of a sublease contract is made by reference to the right-of-use asset arising from the head lease, and not by reference to the underlying asset.
Revenue from operating leases is recognised in the income statement on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset. For finance leases, Dexia recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments. The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.1.19. 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 inter-est rate method.
Securities lent to counterparties are not derecognised but, rather recorded in the financial statements in the same heading.
Securities borrowed are not recognised in the financial statements.
If they are sold to third parties, the gain or loss is entered under "Net gains (losses) on financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities at fair value through profit or loss".

1.1.20. CURRENT AND DEFERRED INCOME TAX

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The principal temporary differences arise from the depreciation of property, plant & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.
The tax rates used are the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.
Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Current and deferred taxes are recognised under "Corporate income tax" in the income statement together with related interests and penalties if they are deemed equivalent to these taxes. Otherwise interests and penalties on late payments related to income taxes are recognised in the interest margin in net banking income.
Deferred tax related to the fair value remeasurement of assets measured at FVOCI and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.
For current and deferred tax, when there is uncertainty as to the tax treatment, Dexia determines whether it is probable that the relevant authority will accept the tax treatment, assuming that a taxation authority will examine the treatment and will have full knowledge of all relevant information when doing so. If it is probable that a taxation authority will not accept the tax treatment, Dexia reflects this uncertainty when determining the value of tax assets and liabilities following

one of the below listed methods which provides better predictions of the resolution of the uncertainty :
- the most likely amount or
- the expected value (sum of the probability-weighted amounts in a range of possible outcomes).

Assets and liabilities resulting from uncertainty over tax treatment are presented as current or deferred tax assets and liabilities under "Current tax assets", "Deferred tax assets", "Current tax liabilities" or "Deferred tax liabilities".

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

Short-term benefits, payable before 12 months after the end of the annual reporting period in which the service is rendered, are measured on an undiscounted basis and recognised as an expense.
Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.1.21.2. Post-employment benefits

If Dexia has a legal or constructive obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan". Dexia offers a number of defined benefits and defined contribution plans, the assets of which are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Dexia and its employees.
In some cases, Dexia provides post-retirement health care benefits to its retirees.

1.1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, 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 recognizes and measures any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The effect of the asset ceiling is then determined after the plan amendment, curtailment or settlement and any change in that effect is recognized.
The current service cost is determined using actuarial assumptions determined at the start of the reporting period. If a plan amendment, curtailment or settlement occurs, current service cost is determined for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset).
Net interest on the net defined benefit liability (asset) is recognised in profit or loss. It is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset), both as determined at the start of the annual reporting period, and taking account of any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. If a plan amendment, curtailment or settlement occurs, net interest for the remainder of the reporting period is determined using the net defined benefit liability (asset) and the discount rate used to remeasure the net defined benefit liability (asset) after the plan amendment, curtailment or settlement.
Qualified external actuaries carry out valuations of these defined benefit obligations. All valuation assumptions and results are reviewed and validated by an external actuary for Dexia that ensures that all calculations are harmonised and calculated in compliance with IAS 19 (as revised in 2011).

1.1.21.2.2. Defined contribution pension plans

Dexia's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate. Under such plans, Dexia's obligations are limited to the contributions that Dexia agrees to pay into the fund on behalf of its employees.
The Belgian defined contribution pension plans are by law subject to minimum guaranteed return.
As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows: (i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%, (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants.
The rates set for employer contributions and employee contributions apply as an average over the entire period of employment.
In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans and are determined using the Projected Unit Credit Method.

1.1.21.2.3. Retirement termination payments

Retirement termination payments are treated as defined benefit plans.

1.1.21.3. Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.
Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the income statement.

1.1.21.4. Termination benefits

A termination benefit provision is recorded at the earlier of the following dates:

• when Dexia can no longer withdraw the offer of those benefits; and

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

1.1.22. 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 has a present legal or constructive obligation as a result of past events;

• it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

• a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised according to an ECL impairment model introduced by IFRS 9 (see 1.1.6.2.5. Impairment on financial assets).
As a result of applying IFRIC 23 as from 1 January 2019 and in accordance with IFRS IC's position (IFRIC Update June 2019), the liabilities related to uncertain tax positions are presented under "Current tax liabilities” and no longer under “Provisions”.

1.1.23. SHARE CAPITAL AND TREASURY SHARES

1.1.23.1. Share issue costs

External incremental costs directly attributable to the issue of new equity securities, other than as part of a business combination, are deducted from equity net of any related income tax.

1.1.23.2. Dividends on Dexia’s ordinary shares

Dexia recognises its dividends on its ordinary shares as a liability from the date on which they are declared. Any dividends for the year declared post-balance-sheet date are disclosed in the subsequent events note.

1.1.23.3. Treasury shares

When Dexia or its subsidiaries purchase from an entity outside the group Dexia’s shares or shares of a subsidiary, the consideration paid, including any attributable transaction costs net of income taxes, is shown as a deduction from total shareholders’ equity. Gains and losses on sales of own equity securities are charged or credited to the treasury share account in equity.

1.1.24. FIDUCIARY ACTIVITIES

Assets and income arising, together with related undertakings to return such assets to customers, are excluded from these financial statements in cases where Dexia acts in a fiduciary capacity such as nominee, trustee or agent.

1.1.25. RELATED-PARTY TRANSACTIONS

Two parties are considered to be related if one has the ability to control the other or exercises significant influence over the other party’s financial policy or operational decisions or is a member of the key management personnel of the other party or of a parent. Transactions with companies accounted for by the equity method are reported, as are those with the Directors.

1.1.26. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents 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.

1.1.27. 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 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 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 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 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 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 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 which take into account the impacts of the COVID-19 pandemic and used in the preparation of the Dexia'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 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 will be impacted by changes to agreements with OTC counterparties and clearing houses. For derivative contracts with clearing houses, the transition to €STR for the remuneration of cash collateral and the discounting curve occurred on 27 July 2020 and the transition to SOFR occurred on 19 October 2020, 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'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 with faciliates the application of these fallbacks to ongoing non-cleared transactions. The Supplement and the Protocol became effective on as from 25 January 2021. Dexia 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 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 since the second half of 2018 in order to ensure the transition to the new benchmark rates. This project involves all of Dexia's business lines and functions. It aims to anticipate the impacts of the reform from a legal, commercial, financial, accounting and operational viewpoint and to implement the transition process to the new indexes while reducing the risks linked to this transition and respecting the deadlines defined by the regulators. 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 has early applied the provisions of these amendments since 31 December 2019.

As at 31 December 2020, most of Dexia'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 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 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 limiting the impact of the interest rate reform on Dexia's financial situation and are applicable as from 1 January 2021 or earlier. Dexia 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 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 interest 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 1,14 billion and EUR 6,85 million (average on 3 years) in 2020. 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
There is no significant changes.

c. Impact of changes in scope on the consolidated income statement
In 2019, the net impact resulting from the sale of DKD is EUR -115 million. This amount includes the net capital loss on disposal as well as the net result of DKD (EUR -9.2 million) and is accounted for in accordance with IFRS 5 as profit from discontinued operations, net of tax. The result on disposals of EUR 106 million includes a negative impact of EUR -245 million due to the recycling to the income statement of the gain and loss items recognised directly in the income statement, a positive impact of EUR 141 million resulting from the difference between the sale price and Dexia Crédit Local's share of DKD's shareholders' equity, as well as the recognition of the provision for a liability guarantee granted to Helaba.

d. Scope of the Dexia Group as at 31 December 2020

A. Fully consolidated entities

Name	Country	31 December 2019 Method	Control rate	Interest rate	31 December 2020 Method	Control rate	Interest rate	Réf
PARENT COMPANY			rate	rate				
Dexia S.A.								
Dexia S.A. Etablissement Stable France		FC	100	100	FC	100	100	
FILIALES								
Dexia Certificaten Nederland BV (in liquidation)[4]	Netherlands	FC	100	100	FC	100	100	
Dexia CLF Régions Bail	France	FC	100	100	FC	100	100	
Dexia Crediop	Italy	FC	99.57	99.57	FC	100	100	
Dexia Crédit Local SA	France	FC	100	100	FC	100	100	
Dexia Financial Products Services LLC[2]	USA	FC	100	100	FC	100	100	
Dexia Flobail	France	FC	100	100	FC	100	100	
Dexia FP Holdings Inc[1]	USA	FC	100	100	FC	100	100	
Dexia Holdings, Inc	USA	FC	100	100	FC	100	100	
Dexia Nederland BV	Germany	FC	100	100	FC	100	100	
FSA Asset Management LLC[2]	Netherlands	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]	USA	FC	100	100	FC	100	100	
FSA Portfolio Asset Limited (UK)[2]	Caymans Islands	FC	100	100	FC	100	100	
Nederlandse Standaard I.J. (en liquidation)[4]	United Kingdom	FC	100	100	FC	100	100	
Premier International Funding Co[3]	Netherlands	FC	0	0	FC	0	0	
WISE 2006-1 PLC	Caymans Islands	FC	100	100	FC	100	100	
	Ireland							

(1) Companies consolidated by Dexia Holdings Inc.
(2) Companies consolidated by Dexia FP Holdings Inc.
(3) Companies consolidated by FSA Global Funding Ltd.
(4) Companies consolidated by Dexia Nederland BV

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

Name	Country	31 December 2019 Method	Control rate	Interest rate	31 December 2020 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	
Dexiarail	France	not FC	100	100	not FC	100	100	
Genebus Lease	Luxemburg	not FC	100	100	not FC	100	100	
Hyperion Fondation Privée	France	not FC	100	100	not FC	100	100	
Impax New Energy Investor	Belgium	not ME	24.99	24.99	not ME	24.99	24.99	
New Mexican Trust	Luxemburg	not FC	100	100	not FC	100	100	
Progetto Fontana (en liquidation)	Mexico	not ME	25	25	not ME	25	25	
South European Infrastructure Equity Finance Ltd Partnership	Italy	not ME	20.83	20.83				S3
SPS - Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Luxemburg	not ME	20.4	20.3	not ME	20.4	20.4	
	Italy							

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 portion of the assets and liabilities of FSA Global Funding and of Premier International Funding Co.

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

Dexia did not provide financial or other support that would have resulted in the control of a structured entity.

e. Significant restrictions on assets and liabilities of an entity

Following IFRS 12, Dexia provides the list of significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.
The information regarding financial assets pledged as collateral for liabilities or contingent liabilities is presented in note 7.3.b.
The assets guaranteeing the secured debt issued by covered bonds entities and the guaranteed investment contracts are presented in note 7.3.b.
Certain assets held by Dexia and benefiting from a credit risk hedge in the form of a guarantee or even a CDS are subject to some legal restrictions, commonly called "Representation to Hold clauses"[1]
Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obligations of the issuer to the noteholders as well as requirement of agreement from the insurer or the guarantor.
Pursuant to the European Commission Decision of 28 December 2012, there is a general ban on the payment of any form of dividend by any subsidiary controlled directly or indirectly by Dexia, in particular when such a payment would entail mandatory payment of a coupon on Tier 1 hybrid instruments or Tier 2 instruments held by persons other than Dexia and its subsidiaries.
Regulated entities are required to comply with regulatory requirements applicable to them.
Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

(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.

f. Interest in unconsolidated structured entities

IThis 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	13	63
TOTAL	**359**	**13**	**372**
Total assets of unconsolidated structured entities	**631**	**13**	**644**

The maximum exposure to loss is the fair value of derivatives and the amortised costs of other instruments.
Dexia is considered to be a sponsor of a structured entity when it is primarily involved in the design and establishment of the structured entity and when it transferred assets to the structured entity or provided guarantees regarding the structured entity's performance. Dexia, as a run-off structure does not have income anymore from sponsored structured without interest in the entity as at 31 December 2019.

g. Subsidiaries with minority interests that are material

Minority interests are considered material when they represent more than 5% of equity group share or when minority interests represent more then 5% of total assets.
As of 31/12/2020, there are no significant minority interests.

1.3 Significant items included in the income statement

Over the year 2020, Dexia posted a net result Group share of EUR -618 million (EUR -898 million in 2019).
The net banking income was negative, at EUR -216 million (EUR -749 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 -10 million (EUR +5 million in 2019) mainly resulted from the net provision for litigations.

Costs amounted to EUR -334 million (EUR -379 million in 2019). The EUR 45 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 +101 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 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 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 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 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 Group has the Dexia Group has rescheduled bankloans 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 is not authorised to grant new financing and therefore has not granted any guaranteed loans.

Funding risk and market risk

Despite market tensions, Dexia, which had a liquidity reserve of nearly EUR 20 billion at the end of December 2019, did not experience any refinancing problems at the height of the crisis. The resilience of the secured funding market enabled the Group to meet its funding requirements, in very attractive volumes and at good prices, while the market for government-guaranteed debt was not very active. Following the reopening of the guaranteed debt market from the end of April, Dexia resumed its long-term refinancing programme, and 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 accross 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 continues to pay particular attention to the evolution of the situation in the United Kingdom, following the country's exit from the European Union on 31 December 2020.

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

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

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

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

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 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 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 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.

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents include the following balances with initial maturities of less than 90 days:

a. Analysis by counterparty

(in EUR Million)	31/12/2019 (1)	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)	733	661
Financial assets at amortised cost - Customer loans and advances (note 2.7)	634	622
TOTAL	**10,578**	**11,150**

(1) The figures of 2019 have been revised : an amount of EUR 634 million has been reclassified from "Cash and central banks" to "Financial assets at amortised cost - Customer loans and advances".

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) (2)	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 19.4 billion of which EUR 9.2 billion in the form of deposits with central banks. As of December 31, 2020, the liquidity reserve is 18.5 billion of which EUR 9.9 billion in the form of deposits with central banks.

(2) The figures of 2019 have been revised : an amount of EUR 634 million has been reclassified from "Cash and central banks" to "Financial assets at amortised cost - Customer loans and advances".

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	Desig-nated at fair value through P/L	Total	Held for trading	Non-trading financial assets mandatorily at fair value through P/L	Designated at fair value through P/L	Total
Loans		2,264		2,264		3,139		3,139
Bonds		740		740		392		392
Equity instruments		62		62		8		8
TOTAL	0	3,066	0	3,066	0	3,539	0	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 financial assets at fair value through profit or loss portfolio (positions higher than EUR 50 million)
Nil.

2.4. Financial assets at fair value through OCI

a. Analysis by nature

(in EUR Million)	31/12/2019	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 were 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	1,501	1,410
Customers	34,857	36,096
TOTAL ASSETS BEFORE ALLOWANCES	**36,358**	**37,506**
Allowances	(57)	(174)
TOTAL ASSETS AFTER ALLOWANCES	**36,301**	**37,332**

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	800	662
Cash collateral	20,600	19,995
Reverse repurchase agreements (reverse repos)	1,502	722
Other interbank loans and advances	187	141
TOTAL ASSETS BEFORE ALLOWANCES	**23,089**	**21,521**
Allowances	(2)	(14)
TOTAL ASSETS AFTER ALLOWANCES	**23,087**	**21,507**
of which included in cash and cash equivalents	*733*	*661*

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)	0	213
Loans and advances (1)	27,771	21,263
TOTAL ASSETS BEFORE ALLOWANCES	**32,638**	**27,763**
Allowances	(220)	(232)
TOTAL ASSETS AFTER ALLOWANCES	**32,418**	**27,532**
of which included in finance leases	*1,070*	*964*
of which included in cash and cash equivalents	*634*	*622*

(1) The figures of 2019 have been revised : an amount of EUR 634 million has been reclassified from "Cash and central banks" to "Financial assets at amortised cost - Customer loans and advances".

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	5	6
Other accounts receivable [(1)]	152	93
TOTAL ASSETS	**157**	**99**

(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 assets

a. Net book value

	Land and buildings	**Office furniture and other equipment**	**Total**
(in EUR Million)	**Right-of-use**	**Own use owner**	
Acquisition cost as at 1 January 2019	**0**	**37**	**37**
- First time application of IFRS 16	60	0	60
- Acquisitions	0	1	1
- Transfers and cancellations	0	(18)	(18)
- Translation adjustments	0	1	1
Acquisition cost as at 31 December 2019 (A)	**60**	**21**	**81**
Accumulated depreciation and impairment as at 1 January 2019	**0**	**(35)**	**(35)**
- First time application of IFRS 16	(3)	0	(3)
- Depreciation booked	(10)	(1)	(11)
- Transfers and cancellations	0	18	18
- Translation adjustments	0	(1)	(1)
Accumulated depreciation and impairment as at 31 December 2019 (B)	**(12)**	**(19)**	**(31)**
Net book value as at 31 December 2019 (A)+(B)	**48**	**2**	**50**

	Land and buildings	**Office furniture and other equipment**	**Total**
(in EUR Million)	**Right-of-use**	**Own use owner**	
Acquisition cost as at 1 January 2020	**60**	**21**	**81**
- Acquisitions	2	1	3
- Transfers and cancellations	(2)	0	(2)
Acquisition cost as at 31 December 2020 (A)	**61**	**22**	**82**
Accumulated depreciation and impairment as at 1 January 2020	**(12)**	**(19)**	**(31)**
- Depreciation booked	(20)	(1)	(21)
- Transfers and cancellations	1	0	1
Accumulated depreciation and impairment as at 31 December 2020 (B)	**(31)**	**(20)**	**(51)**
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

	2019			2020		
(in EUR Million)	Internally developed software	Other intangible assets (1)	Total	Internally developed software	Other intangible assets (1)	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**	**203**
Accumulated depreciation and impairment as at 1st January	**(97)**	**(83)**	**(180)**	**(105)**	**(66)**	**(171)**
- Booked	(8)	(10)	(18)	(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**

Operating leases

Nil.

b. Group as Lessee

Finance leases

Nil.

Operating leases

Future net minimum lease payments under non-cancellable operating leases (in EUR Million)	31/12/2019	31/12/2020
Less than 1 year	11	8
1 to 2 years	11	10
2 to 3 years	10	8
3 to 4 years	11	8
4 to 5 years	11	5
Over 5 years	6	0
TOTAL	**59**	**39**

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	(23)	(24)

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

(in EUR Million)	31/12/2019 Gross amount - Stage 1	Gross amount - Stage 2	12-month expected credit losses	Lifetime expected credit losses	Net amount - Stage 1	Net amount - Stage 2
Non credit-impaired financial assets						
Financial assets at amortised cost - Debt securities	31,391	4,922	(4)	(50)	31,387	4,872
Financial assets at amortised cost - Interbank loans and advances	22,985	104	0	(2)	22,985	102
Financial assets at amortised cost - Customer loans and advances	24,313	7,767	(1)	(95)	24,312	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	**81,077**	**13,283**	**(5)**	**(159)**	**81,072**	**13,124**

(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	30,756	6,713	(19)	(153)	30,737	6,560
Financial assets at amortised cost - Interbank loans and advances	21,430	91	0	(14)	21,429	78
Financial assets at amortised cost - Customer loans and advances	21,297	5,988	0	(117)	21,297	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	**75,681**	**14,002**	**(20)**	**(296)**	**75,661**	**13,706**

	31/12/2019			31/12/2020		
(in EUR Million)	Gross amount	Specific Impairment	Net amount	Gross amount	Specific Impairment	Net amount
Credit-impaired financial assets (stage 3)						
Financial assets at amortised cost - Debt securities	45	(3)	42	37	(2)	35
Financial assets at amortised cost - Customer loans and advances	477	(118)	359	405	(104)	301
Financial assets at fair value through OCI -Fixed revenue intsruments	2	0	2	38	(7)	30
Other accounts receivable	11	(11)	0	4	(4)	0
TOTAL	**535**	**(132)**	**403**	**484**	**(117)**	**367**

	31/12/2019			31/12/2020		
(in EUR Million)	Gross amount	Specific Impairment	Net amount	Gross amount	Specific Impairment	Net amount
Purchased or originated credit impaired						
Financial assets at amortised cost - Customer loans and advances	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	36,357	(4)	(50)	(3)	36,301
Financial assets at amortised cost - Interbank loans and advances	23,089	0	(2)	0	23,087
Financial assets at amortised cost - Customer loans and advances	32,638	(1)	(95)	(124)	32,418
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	**94,976**	**(5)**	**(159)**	**(138)**	**94,675**

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	37,506	(19)	(153)	(2)	37,332
Financial assets at amortised cost - Interbank loans and advances	21,521	(0)	(14)	0	21,507
Financial assets at amortised cost - Customer loans and advances	27,763	(0)	(117)	(113)	27,532
Financial assets at fair value through OCI -Fixed revenue instruments	3,355	(1)	(13)	(7)	3,334
Other accounts receivable	96	0	0	(4)	93
TOTAL FINANCIAL ASSETS	**90,240**	**(20)**	**(296)**	**(127)**	**89,797**

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 the 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 a 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.

Date of reclassification : January 1, 2020 (in EUR Million)	Nominal	Amount coming from the reclassification recognized in:	
	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.

(in EUR Million)	31/12/2019		31/12/2020	
	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	10,222	9,901
TOTAL	**6,258**	**5,443**	**10,222**	**9,901**
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**	**10,222**	**9,901**

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

(in EUR million)	31/12/2019	31/12/2020
Liabilities designated at fair value	1,146	878
Derivatives (see note 4.1)	13,634	11,648
TOTAL	**14,780**	**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	1,146	878
TOTAL	**1,146**	**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	1,146	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 amounts 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	4,093	4,218
Cash collateral	3,502	3,355
Other debts	4,109	2,259
TOTAL	**11,778**	**9,831**

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 [1]	351	2,361
Non-convertible bonds	62,377	54,999
TOTAL [2]	**62,728**	**57,360**

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

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)	6	6
Liabilities related to dividends	3	3
Other taxes	13	16
Rental debts	59	38
Other accounts payable and other liabilities	203	265
TOTAL	336	371

3.6. Provisions

a. Analysis by nature

(in EUR million)	31/12/2019	31/12/2020
Litigation claims (1)	186	178
Restructuring	40	29
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 - stage3	*6*	*8*
Other provisions	2	0
TOTAL PROVISIONS	243	221

(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	321	27	4	4	3	359
Additions	19	23	1	0	0	43
Unused amounts reversed	(70)	(6)	0	(3)	(1)	(81)
Amounts utilized during the year	(24)	(3)	0	(1)	0	(29)
Actuarial gains and losses	0	0	3	0	0	3
Impact application IFRIC 23	(60)	0	0	0	0	(60)
AS AT 31 DECEMBER 2019	186	40	7	0	2	235

(1) Includes a EUR 53 million reversal of the provision relating to the structured credit desensitisation activity in France as a result of the signature of a transaction protocol with 3 counterparties.

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Other provisions	Total
AS AT 1 JANUARY 2020	**186**	**40**	**7**	**2**	**235**
Additions	18	6	1	0	25
Unused amounts reversed	(24)	(17)	(1)	(1)	(43)
Amounts utilized during the year	(1)	(1)	0	(1)	(3)
Actuarial gains and losses	0	0	(3)	0	(3)
Other variations	(1)	0	0	0	(1)
AS AT 31 DECEMBER 2020	**178**	**29**	**4**	**0**	**211**

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 numbers. Except for commitments for statutory pension and defined contribution plans subject to a minimum guaranteed return in Belgium, commitments for defined benefit plans are limited.

They mainly concern retirement allowances in France, pension plans in Italy and pension plans for Belgian staff of the holding company with less than 60 people.

Due to the downsizing of the group, the commitments decrease accordingly and the DBO (defined benefit obligation, long-term employee benefits and post-retirement obligations) represents less than 5% 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 7 million as at 31 December 2019.

d. Defined contribution plan

The Belgian defined contribution plans are subject by the law to a minimum guaranteed return. As a consequence of the Belgian law of 18 December 2015, minimum returns are guaranteed by the employer as follows :

(i) for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%; (ii) for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until retirement date of the participants. In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

e. 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 NEDERLAND BV

Dexia's Dutch subsidiary, Dexia Nederland BV (DNL) is still facing a major dispute involving several legal proceedings brought by clients who signed share leasing agreements. Over the years, DNL has closed ongoing legal proceedings and disputes with most clients. At the end of 2020, several customers (about 10,000) were still opposing the compensation system resulting from the decisions of the Amsterdam Court of Appeal and the Supreme Court. However, DNL continues to attempt to reduce the number of outstanding claims by entering into out-of-court settlements and asking the courts to confirm that DNL has fulfilled its obligations to the affected customers. In 2019, the Supreme Court confirmed that DNL has a general interest in seeking such confirmation. Since 2019, DNL has intensified its out-of-court settlement efforts with its former customers and is actively seeking optimal solutions to take into account the specific features of each individual situation.

As stated in Dexia's previous annual reports, in 2009 the Dutch Supreme Court made a distinction between two categories of customers: those for whom the agreement in question represented an acceptable financial burden and those for whom the agreement represented an unduly heavy financial burden.

Other decisions of the Dutch Supreme Court and the Court of Appeal in Amsterdam clarified the manner in which these cases should be assessed in practice. When an intermediary was involved, the Supreme Court decided in 2016 that, meeting certain conditions, plaintiffs were authorised to apply for higher compensation. This principle was reconfirmed by the Dutch Supreme Court in 2018. The final outcome of the cases in question remains dependent on the ability of the plaintiffs to prove before the courts that certain due diligence obligations have not been fulfilled. Other cases, including as to the role of intermediaries , are still pending before the higher courts.

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

As at 31 December 2020, DNL was still involved in some 1,500 civil proceedings (the same number as at the end of 2019). They were mainly concerned with questions of the duty of care. At the end of 2020, seven cases related to share leasing were still being considered by the *Klachteninstituut Financiële Dienstverlening* (KiFiD), the Dutch institution tasked with handling complaints concerning financial services (the same files as were pending end of 2019). They relate principally to duty of care questions.

At present, Dexia is unable reasonably to predict the duration and outcome of these proceedings, and their potential financial repercussions.

Dexia Crediop

Like other Italian banks, Dexia Crediop is involved in legal proceedings in Italy and in the UK regarding (i) hedging transactions (which required recourse to derivative instruments such as swaps) entered into in connection with debt restructuring and/or funding transactions with local authorities as well as (ii) other non-hedging type transactions.

As indicated in earlier annual reports, In 2017, the Court of Appeal in London issued a judgment in the Prato case by means of which the Court has confirmed (i) the validity of derivative contracts entered into by Dexia Crediop, (ii) that Prato had full capacity to enter into the derivative contracts and (iii) that the margin applied to the derivative contracts was necessary to cover its risks and expected costs. Prato was ordered, inter alia, to reimburse the legal costs of Dexia Crediop and to pay default interest on the unpaid amounts. The Supreme Court confirmed the decision of the Court of Appeal.

Following these decisions, in 2018 Dexia Crediop and Prato entered into an out-of-court settlement agreement. Since 2018, Dexia Crediop entered into other amicable settlements with other parties which expressly confirm the legal, valid and binding nature of the derivative contracts which had been concluded. Other civil court cases relating to the alleged invalidity of the swaps concluded by Dexia Crediop 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 implemented its programme of disposal of operating entities.

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

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

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

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**

Detailed list is available on request from Investor Relations Department- E-mail : investor.relations@dexia.com - Tel. Brussels : + 32 2 213 57 66/ 57 39 - Tel. Paris : + 33 1 58 58 58 53/58 49

b. Reconciliation of liabilities arising from financing activities

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

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

c. Analysis by maturity

See note 7.5.

d. Analysis of fair value

See note 7.1.

3.8 Information on Equity

a. Capital stock

The subscribed and fully paid up share capital of Dexia SA amounts to EUR 500,000,000 represented by 420,134,302 shares without indication of their nominal value.
The extraordinary shareholders' meeting of 7 December 2017 approved the proposal to convert the preference shares subscribed in 2012 by the Belgian and French States for an amount of EUR 5.5 billion. As part of this conversion, all the preference shares issued on 31 December 2012 and held by the Belgian and French States are conversted into ordinary shares, at a conversion rate of 14,446 ordinary shares against one preference share. Simultaneously, profit shares bearing Contingent Liquidation Rights (CLR) are granted to the Belgian and French States. These CLR do not represent the capital of Dexia, but grant the States the right to benefit from a preferential distribution, on the liquidation of Dexia, after settlement of the debts and charges, in an amount of EUR 440 million per annum to count from 1 January 2018 up to the date of liquidation. This right to a preferential distribution in the event of liquidation may only be exercised once, of the occasion of Dexia's liquidation.

b. Super-subordinated perpetual note

In 2005, Dexia Crédit Local issued EUR 700 million in super-subordinated perpetual notes. The residual outstanding amounts to EUR 56 million, booked in minority interests.
Moreover, the residual outstanding of Deeply Subordinated Non-Cumulative Notes issued on october 2006 by Dexia Funding Luxembourg (merged with Dexia) amounts to EUR 40 million booked in equity Group share.

4. Other Notes on the balance sheet

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

4.1. Derivatives

a. Analysis by nature

	31/12/2019		31/12/2020	
(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	562	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		
(EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**154,238**	**9,301**	**12,151**	**144,968**	**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		
(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		
(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**	**562**	**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

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

(EUR million)	31/12/2019	31/12/2020
Deferred tax assets	1,655	1,578
Unrecognised deferred tax assets	(1,635)	(1,578)
Recognised deferred tax assets (1)	**20**	**0**
Deferred tax liabilities (1)	**(35)**	**(35)**
TOTAL	**(15)**	**(35)**

(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

(EUR million)	2019	2020
AS AT 1 JANUARY	**(20)**	**(15)**
Charge/credit recognised in the income statement : "Income tax"	13	(21)
Movements directly recognized in shareholders' equity	(6)	0
Translation adjustment		1
AS AT 31 DECEMBER	**(15)**	**(35)**

c. Deferred taxes

(EUR million)	31/12/2019	31/12/2020
Deferred tax assets	1,655	1,578
Deferred tax liabilities	(35)	(35)
DEFERRED TAXES	**1,620**	**1,543**

Deferred taxes coming from assets of the balance sheet (EUR million)	2019		2020	
	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	(1,129)	106	(1,453)	(232)
Derivatives	394	64	422	22
Tangible fixed assets and intangible assets	3	3	2	0
Accruals and other assets	0	(8)	0	0
TOTAL	**(1,965)**	**(32)**	**(2,593)**	**(503)**

Deferred taxes coming from liabilities of the balance sheet (EUR million)	2019 Total	2019 of which, change through profit or loss	2020 Total	2020 of which, change through profit or loss
Derivatives	1,496	(81)	1,741	247
Borrowings, deposits and debt securities	196	107	514	319
Provisions	104	38	55	(48)
Pensions	3	1	2	(1)
Non-deductible provisions	(9)	0	(9)	0
Accruals and other liabilities	5	1	(25)	(68)
TOTAL	1,795	66	2,278	449

Deferred taxes coming from other elements (EUR million)	2019 Total	2019 of which, change through profit or loss	2020 Total	2020 of which, change through profit or loss
Tax losses carried forward	1,791	100	1,858	5
TOTAL	1,791	100	1,858	5

	2019	2020
TOTAL DEFERRED TAXES	1,620	1,543

d. Expiry date of unrecognised deferred tax assets

(EUR million)	31/12/2019		
Nature	Over 5 years	Unlimited maturity	Total
Temporary difference		(123)	(123)
Tax losses carried forward	(202)	(1,311)	(1,512)
TOTAL	(202)	(1,434)	(1,635)

(EUR million)	31/12/2020	
Nature	Unlimited maturity	Total
Temporary difference	(151)	(151)
Tax losses carried forward	(1,427)	(1,427)
TOTAL	(1,578)	(1,578)

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

(EUR million)	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: Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
	31/12/2019						
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

(EUR million)	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: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
	31/12/2019						
Derivatives	34,571	(1,827)	32,744	(6,926)	(20, 445)	0	5,373
Reverse repurchase and similar agreements	7,334	0	7,334	0	0	(7,334)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**41,905**	**(1,827)**	**40,078**	**(6,926)**	**(20,445)**	**(7,334)**	**5,373**

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

(EUR million)	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: Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
	31/12/2020						
Derivatives	12,311	(2,259)	10,052	(6,566)	(3,216)	0	269
Other financial assets	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

(EUR million)	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: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
	31/12/2020						
Derivatives	34,385	(2,259)	32,126	(6,566)	(20,203)	0	5,356
Other financial liabilities	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

Since 31 December 2012, as a result of the capital increase subscribed by the Belgian and French States, these shareholders have become the only two shareholders having a significant influence on Dexia.

Group transactions with these shareholders are described in 4.4 C. below. Pursuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the State Shareholders are not subject to a separate disclosure.
As a result of the ongoing restructuring plan of the group, Dexia does not have any transactions with related parties anymore.

b. Compensation of key management personnel (*)

(EUR million)	2019	2020
Short-term benefits (1)	4	4

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

Details per person are reported in the section Compensation report, in the "Corporate Governance Statement" chapter of this annual report.

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2013 guarantee agreement
On 24 January 2013, the French, Belgian and Luxembourg States and Dexia and Dexia Crédit Local ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the Group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia and Dexia Crédit Local SA" (as ratified by the law of 17 June 2013 "portant des dispositions fiscales et financières et des dispositions relatives au développement durable"), the French Enabling Law, as amended by the amending finance law n°2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.
Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.
The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantee Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the 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 prolongation 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 165.

Pursuant to these agreements, the Belgian and French States each agreed to guarantee, severally and not jointly, the obligations of Dexia SA pursuant to a put agreement which gave FSAM the right to "put" to Dexia and/or DCL certain assets (the Put Portfolio Assets) included in the FSAM portfolio as at 30 September 2008 upon the occurrence of certain trigger events up to an aggregate amount equal to USD 16.98 billion and up to 62.3711% for the Belgian State and 37.6289% for the French State.

With the consent of the Belgian and French States, FSAM sold to DCL during 2011 all the remaining Put Portfolio Assets. DCL subsequently sold substantially all of the Put Portfolio Assets to third parties. As at 31 December 2011, there were no longer any Put Portfolio Assets held by FSAM that can be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) require the States to make a payment to FSAM. Dexia also no longer owes the States any guarantee fee with respect thereto. The guarantee by the Belgian and French States on the Put Portfolio Assets, however, technically remains outstanding. The States are thus still entitled to recover from Dexia any amounts paid pursuant to their guarantee according to the Guarantee Reimbursement Agreement.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009, as last updated by the Special Board Report of 18 March 2011, both available on the website of Dexia (*www.dexia.com*).

4.5. Acquisitions and disposals of consolidated companies

a. Acquisitions

Nil.

b. Disposals

On 1 May 2019, Dexia and Helaba concluded the sale of Dexia Kommunalbank Deutschland (DKD), the German banking subsidiary of Dexia Credit Local, to Helaba. This sale concerns all the shares of Dexia Credit Local in DKD, representing 100% of the capital. The assets and liabilities disposed of were as follows:

(EUR million)	Dexia Kommunalbank Deutschland 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	14,861
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)
Customer borrowings and deposits	(2,078)
Debt securities	(16,360)
Accruals and other liabilities	(15)
Provisions	(7)
NET ASSETS	203
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

There was no disposal in 2020.

4.6 Information on disposals groups held for sale and discontinued operations

a. Acquisition

Nil.

b. Income Statement

	31/12/2019	
(EUR million)	DenizBank	Dexia Kommunalbank Deutschland
Net banking income		(4)
Operating expenses		(15)
Cost of credit risk and others		10
Net result before tax		**(9)**
Income tax		
Net result		**(9)**
Result on disposal	4	(106)
Income from discontinued operations, net of tax	**4**	**(115)**
Minority interest		
Group share	**4**	**(115)**

c. Net cash flow

(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
	Category A	Category A
Number of shares authorized	420,134,302	420,134,302
Number of shares issued and fully paid	420,134,302	420,134,302
Number of shares issued and not fully paid		
Value per share	**No nominal value**	**No nominal value**
Outstanding as at 1 Jan.	420,134,302	420,134,302
Number of shares issued		
Number of shares cancelled		
Outstanding as at 31 Dec.	420,134,302	420,134,302
Number of treasury shares	112	112
Number of shares reserved for issue under stock options and contracts for the sale of shares	112	112

See note 4.4.c Transactions with the Belgian, French and Luxembourg States.

The share capital of Dexia SA amounts to EUR 500,000,000 as at 31 December 2020.

Since the extraordinary shareholders' meeting of 7 December 2017, it is represented by 420,134,302 shares without indication of their nominal value, each representing 1/420,134,302 of the share capital.

The Extraordinary Shareholders' Meeting of Dexia SA held on October 16, 2019 approved the proposal to withdraw Dexia shares from trading on the regulated market of Euronext Brussels. The delisting has been effective since December 2, 2019. The Extraordinary Shareholders' Meeting of October 16, 2019 also decided, in order to rationalize and simplify the administrative management of the company, to abolish the dematerialized form of the shares. As a consequence, since December 2, 2019, Dexia's capital has been represented exclusively by registered shares.

Conversion of the preference shares

On 7 December 2017, an extraordinary shareholders' meeting approved the proposal to convert the preference shares (Class B category) subscribed in 2012 by the Belgian and French States and to issue profit shares.

As part of this conversion, all the preference shares issued on 31 December 2012 and held by the Belgian and French States are converted into ordinary shares, at a conversion rate of 14.446 ordinary shares (i.e. currently category A shares) against one preference share (currently category B shares). Furthermore, profit shares bearing Contingent Liquidation Rights (CLR) are granted to the Belgian and French States. These CLR do not represent the capital of Dexia, but grant the States the right to benefit from a preferential distribution, on the liquidation of Dexia, after settlement of the debts and charges, in an amount of EUR 440 million per annum to count from 1 January 2018 up to the date of liquidation. This right to a preferential distribution in the event of liquidation may only be exercised once, of the occasion of Dexia's liquidation.

The conversion plan approved by the extraordinary shareholders' meeting today falls within the framework of the Dexia orderly resolution plan approved by the European Commission on 28 December 2012. It is implemented with a view to meeting the requirements of banking regulations. In particular, the conversion plan has the following two objectives:

– on the one hand, to ensure the observance by the Company of the capital ratios imposed by the European Central Bank (ECB) in its decision dated 8 December 2016;

– and on the other hand, to ensure the ongoing observance of the "burden sharing" requirements imposed by the European Commission in its decision dated 28 December 2012 by virtue of the regulations on State aid which, to recall, aim to guarantee that any improvement in Dexia's financial situation will primarily and principally benefit the States.

The plan was approved by the European Commission on 19 September 2017. On 27 November 2017, the ECB gave its consent to the ordinary shares emanating from the conversion to be effectively treated as Common Equity Tier 1.

4.8. Exchange rates

The primary exchange rates are presented in the following schedule.

		31/12/2019		31/12/2020	
		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 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)

5.1. Interest income - Interest expense

(in EUR million)	2019	2020
Interest income	**4,421**	**2,797**
a) Interest income on assets not measured at fair value through P/L	**1,749**	**985**
Cash and central banks	40	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	861	459
Financial assets at fair value through OCI	93	79
Other	7	3
b) Interest income on assets measured at fair value through P/L	**2,461**	**1,548**
Financial assets mandatorily at fair value through P/L	155	173
Derivatives held for trading [4]	802	356
Hedging derivatives	1,504	1,019
c) Interests received on financial liabilities	**211**	**263**
Interests received on financial liabilities [2] [4]	211	263
Interest expense	**(4,390)**	**(2,785)**
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]	(590)	(312)
Hedging derivatives	(2,195)	(1,339)
c) Interests paid on financial assets	**(250)**	**(329)**
Interests paid on financial assets [2] [4]	(250)	(329)
Net interest income	**31**	**12**

(1) This item includes fees paid to the States for the guarantees they granted to Dexia's debt. See also note 4.4.c Related-party transactions - Transactions with the Belgian, French and Luxembourg States.

(2) In the current environment of very low or negative rates, Dexia decided to present separately positive interests on financial liabilities and negative interests on financial assets.

(3) Of which EUR 27 million relating to leases at 31 december 2020 (EUR 30 million at 31 decembre 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.

(in EUR million)	2019 Before change in presentation	2019 After change in presentation	2019 Net impact of change in presentation	2020 Before change in presentation	2020 After change in presentation	2020 Net impact of change in presentation
Interest and similar income						
- trading derivatives	3,566	802	(2 764)	2 433	356	(2 077)
- borrowings	347	211	(136)	411	263	(148)
	3 913	**1 013**	**(2 900)**	**2 844**	**619**	**(2 225)**
Interest and similar expenses						
- trading derivatives	(3 404)	(590)	2 814	(2 530)	(312)	2 218
- financial assets	(379)	(250)	129	(485)	(329)	156
	(3 783)	**(840)**	**2 943**	**(3 015)**	**(641)**	**2 374**
TOTAL	**130**	**173**	**43**	**(171)**	**(22)**	**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

(in EUR million)	2019 Income	2019 Expense	2019 Net	2020 Income	2020 Expense	2020 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	(1)	(1)
Custodial services	3	0	3	2	0	2
Compensation and settlement-delivery	0	(1)	(1)	0	(1)	(1)
Intermediation on bond lending and reverse repo	0	(7)	(7)	0	(7)	(7)
Other	1	0	1	0	0	0
TOTAL	**10**	**(17)**	**(7)**	**6**	**(17)**	**(11)**

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)	88	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)
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)	(158)	(40)
TOTAL	**(149)**	**(69)**

(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 - 32 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 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)	(231)	0
Net gain (loss) on redemption of borrowings and deposits	(19)	(4)
TOTAL	**(254)**	**(3)**

(1) Except for gains and losses on impaired securities, which are included in cost of risk.
(2) In 2019, mainly thanks to two French public sector loan sale programs (EUR 792 million) as well as the disposal of social housing loans (GBP 708 million).
(3) In 2019, the item mainly includes a loss of EUR -101 million on the sale of a Japanese securities portfolio of EUR 1 billion, a loss of EUR -48 million on the sale of an Italian sovereign exposure of EUR 532 million, and a loss of EUR -28 million on the sale of a US assets portfolio of EUR 1.1 billion. A loss of EUR -4 million was also recorded on the disposal of an English ABS hedged by a CDS.
The disposal of these assets has implied the unwinding of the derivatives designated as portfolio hedge, which generated the recognition of losses for EUR -37 million.

5.6. Other income

(in EUR million)	2019	2020
Other banking income	1	1
Litigations (1)	68	27
Other income	3	2
TOTAL	**72**	**30**

(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)	(31)	(40)
Other expenses (1)	(35)	0
TOTAL	**(67)**	**(40)**

(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	(118)	(95)
General and administrative expenses	(232)	(208)
TOTAL	**(350)**	**(303)**

a. Payroll Costs

(in EUR million)	2019	2020
Compensation and salary expense	(71)	(60)
Social security and insurance expense	(25)	(24)
Employee benefits	(7)	(5)
Restructuring costs	(14)	(2)
Other	(1)	(3)
TOTAL	(118)	**(95)**

b. Employee information

(Average full time equivalent)	2019 Fully consolidated	2020 Fully consolidated
Executive staff	22	22
Administrative staff	586	516
TOTAL	**608**	**538**

	2019					
(Average full time equivalent)	**Belgique**	**France**	**Italy**	**Other Europe**	**USA**	**Total**
Executive staff	8	6	2	2	4	22
Administrative staff	48	407	74	18	39	586
TOTAL	**56**	**413**	**76**	**20**	**43**	**608**

	2020					
(Average full time equivalent)	**Belgique**	**France**	**Italy**	**Other Europe**	**USA [1]**	**Total**
Executive staff	8	6	2	2	4	22
Administrative staff	45	371	74	18	8	516
TOTAL	**53**	**377**	**76**	**20**	**12**	**538**

(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)	(3)
Fees	(51)	(47)
Marketing, advertising and public relations	(1)	0
IT expense	(84)	(71)
Software, research and development	(2)	(3)
Maintenance and repair	(2)	(1)
Insurance (except related to pensions)	(3)	(3)
Other taxes [2]	(63)	(65)
Other general and administrative expenses	(14)	(11)
TOTAL	**(232)**	**(208)**

(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 million 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	2020
Depreciation of other tangible fixed assets [1]	(11)	(20)
Amortization of intangible assets	(18)	(11)
TOTAL	**(29)**	**(31)**

(1) In 2020, Dexia Credit Local paid an indemnity an indemnity of EUR 11 million for the early return of part of the premises hosting its head office.
In 2019, see note 1.6 : the application of the standard IFRS16 "Leases" leads to the recognition in 2019 of a depreciation of EUR - 9 million, as the right to use the premises hosting the head office of Dexia and Dexia Credit Local.

Impairment

Nil.

Gains or losses

Nil.

5.10. Cost of credit risk

	2019				
(in EUR million)	Stage 1	Stage 2	Stage 3	POCI [1]	Total
Financial assets at amortised cost - Customer loans and advances		(17)	7	1	(9)
Financial assets at amortised cost - Interbank debt securities [2]		1			1
Financial assets at amortised cost - Customer debt securities	(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) POCI: Purchased or originated credit impaired debt instruments

(2) 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 of these changes. The updated methodology also includes the improvements and better knowledge of credit risk gained during the two years since January 1, 2018. The effect of this change of methodology is recorded as a change in accounting estimate and is recognized prospectively by including the impact in profit or loss of the period of the change, i.e. the year 2019.

Should the old methodology 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.

(in EUR million)	2020 Stage 1	Stage 2	Stage 3	POCI [1]	Total
Financial assets at amortised cost - Interbank loans and advances		(12)			(12)
Financial assets at amortised cost - Customer loans and advances		(38)	(7)	(3)	(48)
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)**	**0**	**(3)**	**(169)**

(1) POCI: Purchased or originated credit impaired debt instruments

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				(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				(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
Other accounts receivable	(1)	4		3
Off-balance sheet commitments	(2)			(2)
TOTAL	**(25)**	**31**	**(6)**	**0**

5.11. Net gains (losses) on other assets

(in EUR million)	**2019**	**2020**
Net gains (losses) on disposals of consolidated equity investments [1]	0	101
TOTAL	**0**	**101**

(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	**2019**	**2020**
(in EUR million)		
Income tax on current year	(3)	20
Deferred taxes on current year	13	(21)
TAX ON CURRENT YEAR RESULT (A)	**9**	**(1)**
Income tax on previous year	(35)	0
Provision for tax litigations [1]	59	0
OTHER TAX EXPENSE (B)	**24**	**0**
TOTAL (A) + (B)	**33**	**(1)**

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

Effective corporate income tax charge

The standard tax rate applicable in Belgium in 2019 was 29,58% and 25% in 2020.

Dexia effective tax rate was respectively - 1.07% in 2019 and -0.1% in 2020.

The difference between the standard and the effective tax rate can be analysed as follow:

(in EUR million)	**2019**	**2020**
Net income before tax	**(860)**	**(618)**
Tax base	**(860)**	**(618)**
Statutory tax rate	29.58%	25.00%
Theoretical corporate income tax at the standard rate	**254**	**154**
Impact of differences between foreign tax rates and the standard Belgian tax rate	(40)	25
Tax effect of non-deductible expenses	(100)	(75)
Tax effect of non-taxable income	62	2
Impact of items taxed at a reduced rate	(16)	(4)
Other additional taxes or tax savings	(17)	(32)
Tax effect from reassessment of unrecognised deferred tax assets	(134)	(72)
Tax on current year	**9**	**(1)**
Effective tax rate	1.07%	(0.10%)

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	471	475
Guarantees received from credit institutions	105	9
Guarantees received from customers	2,707	2,449
Guarantees received from the States (1)	60,530	55,442

(1) See note 4.4.C "Transactions with the Belgian, French and Luxembourg State" 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	35,228	32,757
Financial instruments received as collateral and other commitments received	8,533	6,139

7. Note on risk exposure

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

7.0. Risk exposure and hedging strategy

We refer to chapter Risk Management of Management Report, pages 17 to 27.

7.1. Fair value

a. Fair value measurement and fair value hierarchy of financial instruments

We refer to note 1.1 Accounting policies and valuation methods, paragraph 1.1.7.Fair value of financial instruments.

b. Fair value

The following tables compare the fair value with the carrying amount of financial instruments not measured at fair value.

	31/12/2019			31/12/2020		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	9,211	9,211	0	9,866	9,866	0
Financial assets at amortised cost - Debt securities	36,301	31,949	(4,352)	37,332	32,259	(5,073)
Financial assets at amortised cost - Interbank loans and advances	23,087	23,009	(78)	21,507	21,700	193
Financial assets at amortised cost - Customer loans and advances	32,418	29,056	(3,363)	27,532	22,432	(5,100)
Interbank borrowings and deposits	11,778	11,788	11	9,831	10,009	178
Customer borrowings and deposits	3,851	3,852	1	6,824	6,793	(31)
Debt securities	62,728	63,335	608	57,360	57,998	638
Subordinated debt	20	20	0	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.

Fair value of financial assets

	31/12/2019				31/12/2020			
(in EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and central banks		9,211		9,211		9,866		9,866
Financial assets at fair value through profit and loss		9,306	1,874	11,181		7,353	2,058	9,411
** Derivatives*		*9,306*	*1,874*	*11,181*		*7,353*	*2,058*	*9,411*
Financial assets mandatorily at FVTPL	125	1,757	1,185	3,066		1,607	1,932	3,539
** Debt securities*	*93*	*415*	*232*	*740*		*257*	*135*	*392*
** Loans and advances*		*1,328*	*936*	*2,264*		*1,350*	*1,789*	*3,139*
** Equity instruments*	*31*	*14*	*17*	*62*			*7*	*8*
Hedging derivatives		1,235	144	1,378		1,149	114	1,263
Financial assets at fair value through OCI	420	1,579	838	2,837	108	2,352	909	3,369
** Debt securities*	*412*	*690*	*546*	*1,648*	*104*	*937*	*23*	*1,064*
** Loans and advances*		*863*	*287*	*1,150*		*1,389*	*881*	*2,270*
** Equity instruments designated at FVOCI*	*8*	*27*	*5*	*39*	*4*	*27*	*5*	*35*
Financial assets at amortised cost - Debt securities	21,835	9,256	858	31,949	20,957	10,472	831	32,259
Financial assets at amortised cost - Interbank loans and advances		22,005	1,003	23,009		20,702	998	21,700
Financial assets at amortised cost - Customer loans and advances		15,705	13,350	29,056		12,579	9,853	22,432
TOTAL	**22,379**	**70,054**	**19,253**	**111,686**	**21,065**	**66,081**	**16,694**	**103,840**

Fair value of financial liabilities

(in EUR million)	31/12/2019 Level 1	31/12/2019 Level 2	31/12/2019 Level 3	31/12/2019 Total	31/12/2020 Level 1	31/12/2020 Level 2	31/12/2020 Level 3	31/12/2020 Total
Financial liabilities at fair value through profit and loss		12,544	2,235	14,780		9,783	2,742	12,525
** Financial liabilities designated at fair value*		*1,145*		*1,146*		*877*		*878*
** Trading derivatives*		*11,399*	*2,235*	*13,634*		*8,905*	*2,742*	*11,648*
Hedging derivatives		9,452	9,732	19,184		9,444	11,103	20,548
Interbank borrowings and deposits		5,071	6,718	11,788		6,612	3,397	10,009
Customer borrowings and deposits		2,620	1,233	3,852		5,845	948	6,793
Debt securities	96	47,263	15,976	63,335	96	42,805	15,097	57,998
Subordinated debt			20	20			19	19
TOTAL	**97**	**76,950**	**35,914**	**112,960**	**96**	**74,490**	**33,307**	**107,892**

d. Transfer between level 1 and level 2

The tables hereunder present the amounts of financial instruments at fair value, for which fair value measurement is recurring, still in the books at the end of the period and for which the methodology of valuation has been changed between level 1 and level 2.

(in EUR million)	31/12/2019 From 1 to 2	31/12/2019 From 2 to 1	31/12/2020 From 1 to 2	31/12/2020 From 2 to 1
Financial assets available for sale - bonds	0	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 amounts of fair value of financial instruments at the closing date.

e. Level 3 reconciliation

(in EUR million)	2019								
	Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/losses	Settlement	Transfer into level 3 (1)(2)	Transfer out of level 3 (2)	Other movements (3)	Changes in scope of consolidation (4)	Closing
Non-trading financial asset mandatorily at faire value through profit or loss									
Debt securities	*194*	*(37)*		*(1)*			*76*		*232*
Loans and advances	*236*	*(25)*		*(18)*	*572*		*170*		*936*
Non-trading 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 value 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)	
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)	2020								
	Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/losses	Sale	Settlement	Transfer into level 3 (1)(2)	Transfer out of level 3 (2)	Other movements (3)	Closing
Non-trading financial asset mandatorily at faire value through 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 value through other comprehensive income									0
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 measures the fair value of the level 3 financial instruments using some unobservable inputs. As this unobservable character results in 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		Impacts on fair value measurement	
		Worst case	Best case	Worst case	Best case
Bonds	Credit spread	+ / – one standard deviation		(7.2)	7.2
Loans	Credit spread	280 bps	0 bps	(93.9)	50.7
CDS	Credit spread	+ / – one standard deviation		(17.9)	17.0
Derivaties	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		Impacts on fair value measurement	
		Worst case	Best case	Worst case	Best case
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
Derivaties	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 abovementioned inputs) to EUR +2.1 million (reflecting an improvement in the abovementioned 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 consist in using the minimum and maximum spreads observed when valuating similar assets by Dexia. 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 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 prices and modelled values (deferred day one profit)

No amount was booked as deferred DOP.

7.2. Credit risk exposure

The Exposure at Default (EAD) is one of the parameters used to calculate capital requirements under the Regulation (EU) No 575/2013.

It corresponds to the best estimate of credit risk exposure at default and the definition varies depending on the approach adopted in calculating capital requirements. The Dexia Group uses both the standard and the advanced approach to calculate its own its risk-weighted assets.

- For financial assets measured at amortised cost, the EAD of a credit exposure on the balance sheet corresponds to the book value, gross of impairments, taking account of accrued interest and the impact of hedge accounting;
- For financial assets measured at fair value, the EAD of a credit exposure on the balance sheet corresponds to the carrying amount before impairments;
- For derivatives, the EAD is calculated using the mark-to-market valuation method under Article 274 of the Regulation (EU) No 575/2013 and includes the replacement cost as well as the amount representing future potential exposure, obtained by the product of the notional amount and a coefficient depending on the type of derivative and its residual term;

• For off-balance-sheet commitments, the EAD represents the product of the (nominal) amounts of commitments and a Credit Conversion Factor (CCF). The Dexia Group applies the standard method (Article 111 of the Regulation (EU) No 575/2013) to determine credit conversion factors, except for project finance transactions (advanced approach).

In addition, as information relating to credit risk only concerns financial instruments generating credit risk exposure, the Dexia Group has decided to exclude from the scope of this report the other assets, mainly accruals and other assets.

As at 31 December 2020, the credit risk exposure amounted to EUR 83 billion.

a. Conventration by credit risk

Concentration by geographic region

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

(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	25,871	28,595
Local public sector (1)	37,809	33,251
Financial institutions	6,852	6,218
Corporates	5,286	5,584
Monoline	1,349	1,317
ABS/MBS	1,410	1,311
Project finance	9,329	6,581
Individuals, SME, self-employed	1	0
TOTAL	**87,907**	**82,858**

(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 3,584 million on Spain while on December 31, 2020, this category includes : EUR 0 million on Hungary, EUR 8,275 million on Italy, EUR 553 million on Portugal and EUR 3,059 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

EAD	31/12/2019											
(in EUR million)	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
	Stage 1	Stage 2 (1)	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	11,112	54		13,958	469			135				
Local public sector	7,077	853		15,656	5,885	39	142	4,504	121	10	98	2
Financial institutions	273			3,063	125		1					
Corporates				4,981	25	4		24	4	14		
Monolines				1,084	223	42						
ABS/MBS	1,304			1			40	16		35	11	
Project finance	21	11		5,635	568		61	1,178	332			
Individuals, sme, self-employed									1			

(1) The rating takes into account the effects of credit risk mitigations. Exposures (EAD) in stage 2 or stage 3 may have rating grades AAA to AA-, due to the effect of the guarantees.

EAD	31/12/2020											
(in EUR million)	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
	Stage 1	Stage 2 (1)	Stage 3 (1)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	13,910	32		13,895	446			128				
Local public sector	4,436	670	2	15,416	5,008	34	69	4,360	161	6	10	1
Financial institutions	104			2,417	107		2			1		
Corporates				4,506	702	12		25	4			
Monolines				840	442	35						
ABS/MBS	1,211			1			96					
Project finance	18			1,981	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

(in EUR million)	31/12/2019			31/12/2020		
	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	76,910	1,108	75,802	70,052	102	69,950
Loans commitments granted	437		437	236		236
Assets pledged as collateral (1)	11,835	9,595	2,240	8,535	6,096	2,440
TOTAL	**101,578**	**13,671**	**87,907**	**91,891**	**9,032**	**82,858**

(1) Collateral is mainly comprised 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 concerns in particular 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 in 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 [1] [3]	Other adjust-ments [4]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**5**					**5**
Financial assets at amortised cost	**4**					**5**
- Customer debt securities	3			1		4
- Customer loans and advances	1			(1)		1
Financial assets at fair value through other comprehensive income	**1**					**0**
- Debt securities	1					0
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) [1]	**337**	**(130)**	**(1)**	**(35)**	**(12)**	**159**
Financial assets at amortised cost	**333**	**(131)**		**(31)**	**(24)**	**147**
- Interbank debt securities	19			(1)	1	19
- Customer debt securities	223	(153)		(25)	(13)	31
- Interbank loans and advances	2					2
- Customer loans and advances	90	22		(5)	(11)	95
Financial assets at fair value through other comprehensive income	**4**		**(1)**	**(4)**	**12**	**12**
- Debt securities	2		(1)	(3)	11	9
- Customer loans and advances	2				1	3
Allowances for credit-impaired debt instruments (Stage 3) [2]	**292**	**(4)**	**(17)**	**(138)**	**0**	**131**
Financial assets at amortised cost	**281**	**(4)**	**(17)**	**(109)**	**(30)**	**121**
- Customer debt securities	93			(88)	(2)	3
- Customer loans and advances	187	(4)	(17)	(20)	(27)	118
Financial assets at fair value through other comprehensive income	**1**			**(30)**	**29**	**0**
-Customer loans and advances	1			(30)	29	0
Other accounts receivable	**10**			**1**		**11**
Allowances for purchased or originated credit impaired debt instruments	**7**			**(1)**		**6**
Financial assets at amortised cost	**7**			**(1)**		**6**
- Customer loans and advances	7			(1)		6
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**641**	**(135)**	**(19)**	**(174)**	**(12)**	**302**
Provisions on commitments and financial guarantees given						
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	**8**					**8**

(1) During 2019, the allowances on debt instruments in stage 2 decreased mainly following the reclassification of the Portuguese sovereign exposures from stage 2 to stage 1 after applying the revised methodology for identifying the SICR (Significant increase in credit risk) (EUR +164 million). This evolution is in line with the improvement of the external rating of the Portuguese sovereign. Following this same methodology, some of the exposures to the Italian public sector have been reclassified from stage 1 to stage 2 (EUR -13 million).
(2) The decrease of allowances in stage 3 is mainly due to the write-back of provisions amounting to EUR 93 million following the sale of impaired exposures, in particular on the Chicago Board of Education.
(3) 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 Credit Local branch in New York from Amortized cost to Fair value through other comprehensive income (EUR 1.24 billion) and to Fair value through profit or loss (EUR 5.29 billion). In the first case, the total impact is nil : the impairments are reclassified from Amortized cost to Fair value through other comprehensive income. In the second case, the total impact is a decrease in impairments of EUR 18 million, including EUR 11 million on loans (outstanding reclassified of EUR 0.35 billion) and EUR 7 million on securities (outstandings reclassified from EUR 4.94 billion).

In 2019, there were no recoveries directly recognised in profit or loss nor 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)**	**(1)**	**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]	**131**	**(3)**	**(4)**	**(4)**	**(3)**	**117**
Financial assets at amortised cost	**121**		**(1)**	**2**	**(15)**	**106**
- Customer debt securities	3			(1)		2
- Customer loans and advances	118		(1)	2	(15)	104
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**			**3**		**9**
Financial assets at amortised cost	**6**			**3**		**9**
- Customer loans and advances	6			3		9
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**302**	**38**	**(16)**	**135**	**(14)**	**444**
Provisions on commitments and financial guarantees given						
- on commitments and financial guarantees given (Stage 2)	2	1				3
- on commitments and financial guarantees given (Stage 3)	6			2		8
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**8**	**1**		**2**		**11**

(1) In 2020, impairments on receivables 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) This category 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 portfolio at Fair value through other comprehensive income (EUR 3 billion), and to the portfolio at Fair value through profit or loss (EUR 3.4 billion). In the first case, the total impact is nil: impairments are reclassified from the portfolio at Amortized cost 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. Reconcialiation of gross carrying variation

	2019								
	As at 1 Jan.	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3		Other variations	As at 31 Dec.
(in EUR million)		To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3		
Amortised cost	**104,938**							**(12,853)**	**92,085**
- Debt securities [1]	45,840							(9,482)	36,357
** stage 1*	*33,477*	*(15)*	*3,468*					*(5,539)*	*31,391*
** stage 2*	*11,908*	*15*	*(3,468)*					*(3,533)*	*4,922*
** stage 3*	*455*							*(410)*	*45*
-Interbank loans and advances	23,672							(584)	23,088
** stage 1*	*23,473*	*(5)*						*(482)*	*22,987*
** stage 2*	*199*	*5*						*(102)*	*102*
-Customer loans and advances [2]	35,426							(2,788)	32,639
** stage 1 [4]*	*27,710*	*(1,935)*	*430*				*3*	*(1,895)*	*24,313*
** stage 2*	*6,917*	*1,935*	*(430)*		*7*			*(640)*	*7,789*
** stage 3*	*799*				*(7)*		*(3)*	*(253)*	*537*
FVOCI	**4,883**							**(2,073)**	**2,810**
-Debt securities	4,145							(2,488)	1,657
** stage 1 [3]*	*3,474*							*(1,981)*	*1,493*
** stage 2*	*666*							*(503)*	*163*
** stage 3*	*4*							*(4)*	*0*
-Customer loans and advances	739							415	1,154
** stage 1*	*404*	*(65)*	*65*					*422*	*826*
** stage 2*	*333*	*65*	*(65)*	*(2)*	*3*			*(9)*	*325*
** stage 3*	*1*			*2*	*(3)*			*2*	*2*
Other accounts receivable	**81**							**1**	**82**
** stage 1*	*70*								*70*
** stage 2*	*1*							*1*	*2*
** stage 3*	*10*							*1*	*11*

(1) Decrease of EUR -9.48 billion, mainly due to the reclassification of a EUR 5.77 billion portfolio of securities at Amortized cost of the Dexia Credit Local branch in New York to the portfolio at Fair value through other comprehensive income (EUR 0.83 billion) and to the portfolio at Fair value through profit or loss (EUR 4.94 billion), and due to significant sales made in respect of the proactive strategy of reduction of the balance sheet, including in particular the sale of EUR 1.1 billion of American securities in the second quarter, as well as part of the asset sales program approved by the Board of Directors on July 19, 2019, mainly EUR 1.1 billion of Japanese securities, EUR 0.53 billion of Italian sovereigns, and EUR 0.25 billion of Portugal securities.
(2) Decrease of EUR -3.42 billion, mainly due to the reclassification of a EUR 0.76 billion portfolio of loans at Amortized cost of the Dexia Credit Local branch in New York to the portfolio at Fair value through other comprehensive income (EUR 0.41 billion) and to the portfolio at Fair value through profit or loss (EUR 0.35 billion), and due to significant sales made in respect of the proactive strategy of reduction of the balance sheet, including in particular EUR 0.79 billion relating to two French local public sector loans sales programs and GBP 0.71 billion in social housing loans in the UK.
(3) Decrease of EUR -2.43 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.
(4) The figures have been revised : an amount of EUR 634 million has been reclassified from the line "Cash and central banks" to the line "Customer loans and advances, at amortized cost".

The transfers are those as at 31 December 2019.

(in EUR million)	2020								
	As at 1 Jan.	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3		Other variations	As at 31 Dec.
		To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3		
Amortised cost	**92,085**							**(5,295)**	**86,790**
- Debt securities [(1)]	36,357							1,148	37,506
** stage 1*	*31,391*	*(1,959)*	*3,100*					*(1,777)*	*30,756*
** stage 2*	*4,922*	*1,959*	*(3,100)*					*2,932*	*6,713*
** stage 3*	*45*							*(7)*	*37*
-Interbank loans and advances [(2)]	23,088							(1,568)	21,521
** stage 1*	*22,987*	*(3)*						*(1,554)*	*21,430*
** stage 2*	*102*	*3*						*(14)*	*91*
-Customer loans and advances [(3)]	32,639							(4,875)	27,763
** stage 1*	*24,313*	*(777)*	*406*			*(1)*	*3*	*(2,646)*	*21,297*
** stage 2*	*7,789*	*777*	*(406)*	*(47)*	*18*			*(2,128)*	*6,004*
** stage 3*	*537*			*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*	*1,187*
** stage 3*	*2*			*3*	*(3)*	*2*		*34*	*38*
Other accounts receivable	**82**							**13**	**96**
** stage 1*	*70*							*22*	*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 operations 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 comprehensive income (EUR 2.63 billion) and to the portfolio at fair value by 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	31/12/2019 Fair value of collateral sold or repledged	31/12/2020 Fair values of collateral held	31/12/2020 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	53,713

The amount of EUR 54 billion in 2020 and 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

We also refer to the chapter Risk Management of the Management Report.

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.
The detail of the VaR from the trading portofolios is prensented in the following table. At the end of December 2020, total consumption in VaR was EUR 1.1 million of the end of 2019.

Value at Risk (VaR)

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

(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.

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

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

a. Analysis of assets

	31/12/2019									
(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	9,211									9,211
Financial assets at fair value through profit or loss		97	179	732	1,613	14	788	10,824		14,247
of which Trading derivatives							*756*	*10,425*		*11,181*
Hedging derivatives							234	1,144		1,378
Financial assets at fair value through OCI		364	77	254	2,064		15	74	(12)	2,837
Financial assets at amortised cost - Debt securities	1	122	663	2,578	22,447		265	10,282	(57)	36,301
Financial assets at amortised cost - Interbank loans and advances (1)	799	501	597	542	40	20,604	(7)	11	(2)	23,087
Financial assets at amortised cost - Customer loans and advances (1)	634	1,081	1,101	4,178	15,150	4,882	108	5,505	(220)	32,418
Fair value revaluation of portfolio hedge								576		576
Accruals and other assets		148	1			19			(11)	157
Subtotal financial assets used to calculate the gap	*10,646*	*2,313*	*2,618*	*8,285*	*41,313*	*25,519*				
Non-financial assets						114				114
TOTAL	**10,646**	**2,313**	**2,618**	**8,285**	**41,313**	**25,633**	**1,403**	**28,416**	**(302)**	**120,326**

(1) 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

(in EUR million)	31/12/2019 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Total
Financial liabilities at fair value through profit and loss		3		36	805		661	13,274	14,780
of which Trading derivatives							*653*	*12,981*	*13,634*
Hedging derivatives							296	18,888	19,184
Debt securities	75	1,352	3,140	2,023	1,637	3,501	28	21	11,778
Interbank borrowings and deposits [1]	230	2,671	572		233	145	(1)		3,851
Customer borrowings and deposits [1]		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	276	17	11	28	3			336
Subtotal financial liabilities used to calculate the gap	*306*	*16,387*	16,174	*32,118*	*9,703*	*3,649*			
Non-financial liabilities						280			280
TOTAL	**306**	**16,387**	**16,174**	**32,118**	**9,703**	**3,929**	**1,313**	**33,034**	**112,964**

(1) 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.

Net liquidity gap as at 31/12/2019 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
NET LIQUIDITY GAP AS AT 31/12/2019	10,340	(14,074)	(13,556)	(23,833)	31,611	21,870

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of liquidity requirements requirements.

a. Analysis of assets

(in EUR million)	31/12/2020 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		613	9,088		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
Debt securities	1	129	664	1,598	23,978		267	10,870	(174)	37,332
Financial assets at amortised cost - Interbank loans and advances (1)	692	470	293	61		20,002	(5)	8	(14)	21,507
Financial assets at amortised cost - Customer loans and advances (1)	637	602	700	2,566	10,502	6,288	66	6,402	(232)	27,532
Fair value revaluation of portfolio hedge								426		426
Accruals and other assets	1	88				13			(4)	99
Subtotal financial assets used to calculate the gap	*11,198*	*1,774*	*2,065*	*5,999*	*38,387*	*26,303*				
Non-financial assets						83				83
TOTAL	**11,198**	**1,774**	**2,065**	**5,999**	**38,387**	**26,386**	**1,184**	**27,877**	**(444)**	**114,427**

(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

(in EUR million)	31/12/2020 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
Interbank loans and deposits (1)		3,702	551	976	1,216	3,355	5	26	9,831
Customer borrowings and deposits (1)	216	6,310			253	48	(3)		6,824
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	312	19	9	24	6			371
Subtotal financial liabilities used to calculate the gap	*217*	*21,558*	*11,966*	*29,906*	*6,623*	*3,409*			
Non-financial liabilities						257			257
TOTAL	**217**	**21,558**	**11,966**	**29,906**	**6,623**	**3,666**	**1,053**	**32,751**	**107,740**

(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.

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	10,981	(19,784)	(9,901)	(23,906)	31,764	22,895

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 case of liquidity requirements.

B. Steps taken to improve Dexia Group's liquidity

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

7.6. Currency risk

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 non-EUR 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 million 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 then 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.
We also refer to Management Report, chapter Risk Management.

Classification by original currency	31/12/2019					
(in EUR million)	EUR	GBP	USD	JPY	Other currencies	Total
Total assets	63,628	24,041	29,186	2,180	1,291	120,326
Total liabilities and shareholders' equity	63,523	24,063	29,035	2,516	1,188	120,326
NET BALANCE SHEET POSITION	**105**	**(22)**	**151**	**(336)**	**103**	**0**

Classification by original currency	31/12/2020					
(in EUR million)	EUR	GBP	USD	JPY	Other currencies	Total
Total assets	64,777	25,998	20,366	2,131	1,155	114,427
Total liabilities and shareholders' equity	65,144	25,898	20,454	2,088	842	114,427
NET BALANCE SHEET POSITION	**(367)**	**99**	**(88)**	**43**	**313**	**0**

7.7. Hedge accounting

Derivatives Held for Risk Management and Hedge Accounting
Dexia aims to minimize balance sheet mismatches between assets and liabilities in order to ensure the stability of its income, notably against interest rate risk and foreign currency risk.
Dexia has recourse to hedge accounting for specified financial assets or financial liabilities ("micro hedge") or for portfolios of fixed rate financial assets and portfolios of fixed rate financial liabilities ("macro hedge") which are exposed to a change in fair value due to movements in benchmark interest rates.
The fair value of fixed rate bonds (asset side) and issuances (liability side) are commonly hedged at inception using derivatives, documented as Fair Value Hedge (FVH).
The residual interest rate risk exposure is notably linked to portfolios composed of long-dated amortizing fixed rate loans of small notional amounts. It is managed from a macro-hedge perspective, through a natural hedge between fixed rate assets and liabilities, and using interest rate derivatives, documented as portfolio Fair Value Hedges under IAS 39 "carve-out" standard as adopted by the European Union ("European Portfolio Hedge", "EPH").
Dexia also hedges the benchmark interest rate risk of a part of its future floating rate issuances using interest rate derivatives, documented as Cash Flow Hedge (CFH).
The foreign currency exposure arising from foreign currency denominated financial assets or liabilities are micro hedged by Dexia using cross currency swaps documented as Cash Flow Hedges (CFH) of foreign currency risk.
Moreover, some Fair Value Through P&L (FVTPL) assets are economically hedged by derivatives which are classified as Held-for-trading derivatives under IFRS but included in the banking book for prudential reporting (economic hedge). These are mainly derivatives which are hedging non SPPI financial assets 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 maintained the current hedge accounting requirements of IAS 39 for all its micro and macro-hedge relationships until the future standard on macro-hedging is entered into force.

(i) Fair Value Hedge of Interest Rate Risk

Dexia uses interest rate swaps or cross currency interest rate swaps to hedge its exposure to changes in the fair values of fixed rate liabilities (notes issued measured at amortised cost) and fixed rate or structured SPPI assets (mainly bonds measured at amortised cost or fair value through other comprehensive income) in respect of a benchmark (floating) interest rate. Floating/fixed interest rate swaps or floating/structured interest rate swaps are matched to balance sheet items so as to closely align with the critical terms of the hedged item.

Only the benchmark interest rate risk component is hedged using these derivatives in fair value hedge relationship. Other risks, such as credit risk, are managed but not hedged by Dexia. The interest rate risk component is determined as the change in fair value of the fixed rate balance sheet items arising solely from changes in benchmark interest rate curves. Such changes are usually the largest component of the overall change in fair value.

A derivative designated as a hedging instrument must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. The effectiveness of the hedge is verified by comparing changes in fair value of the hedged items attributable to changes in the hedged benchmark rate of interest with changes in the fair value of derivatives, with the expected ratio between the two changes ranging from 80% to 125%.

The non-effective portion of the hedging relationship recognised in "Net result of hedge accounting" (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss") is mainly related to the difference in the discounting between the hedged item and the hedging instrument, as interest rate swaps are discounted using Overnight Index swaps (OIS) discount curves, while balance sheet item discounting is based on the benchmark interest rate documented in fair value hedge.

Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are booked in the result of trading activities (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss").

(ii) Cash Flow Hedge of Interest Rate Risk and balance sheet items in foreign currencies

Dexia uses fixed/floating interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly Libor and Euribor), and cross currency swaps to hedge foreign currency risks (mainly US dollar and UK sterling) arising from its balance sheet items denominated in foreign currencies.

Cash Flow Hedge strategies are implemented:

- Either to transform 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's foreign currency exposure;
- Or to transform EUR floating rate cash flows into EUR fixed rate cash flows. Dexia hedges interest rate risk to the extent of benchmark interest rate exposure on its floating rate notes or its highly probable future floating rate issuances to mitigate variability in its cash flows.

Hedge accounting is applied where hedge relationships meet the hedge accounting criteria. Derivatives designated as hedging instruments must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. In addition, for cash flow hedges of its future floating rate issuances, Dexia demonstrates the highly probable nature of forecast cash flows.

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

Dexia applies fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities under IAS 39 "carve-out" standard as adopted by the European Union. The hedged risk corresponds to the exposure to changes in the fair value attributable to a benchmark interest rate risk, which is associated with a portfolio or an identified amount of a portfolio of financial assets or liabilities. Different categories of assets or liabilities and in particular loans or securities measured at amortised cost or fair value through other comprehensive income may be designated by Dexia as qualifying hedged items. Only vanilla interest rate swaps are used as hedging instruments.

Dexia demonstrates that a high degree of effectiveness exists both prospectively and retrospectively by periodically demonstrating that notional amounts on hedging derivatives and hedged items offset each other and no overhedging situation exists.

As the exposure from the portfolio may change (for example due to a derecognition or modification of a hedged item or a hedging instrument), to avoid the situation of over hedging, Dexia adjusts when needed the existing strategies by removing hedging instruments or by entering into new derivatives designated in EPH.

(iv) IBOR reform

Information on the reform for the replacement of the IBOR benchmark indices by alternative benchmark indices and on the impact of this reform on hedge accounting is presented in notes 1.1.27 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	**60,212**	**973**	**15,106**	**(109)**	**57,737**	**1,019**	**16,563**	**(2,312)**
OTC options	23		3	1	11		2	1
OTC other	60,189	973	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	**66,270**	**1,196**	**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 instruments 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

	31/12/2019			31/12/2020		
(in EUR million)	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/ liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness
Financial assets at fair value through OCI	1,164	149	(353)	1,001	125	21
Interest rate risk	1,164	149	(353)	*1,001*	*125*	*21*
Financial assets at amortised cost - Debt securities	30,720	10,282	(206)	31,089	10,869	1,338
Interest rate risk	30,702	10,279	(207)	*31,089*	*10,869*	*1,338*
Foreign exchange risk	18	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 ASSET LESS FINANCIAL LIABILITIES)	**2,436**	**15,083**	**(110)**	**3,677**	**16,326**	**2,366**

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)		(22)	(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)**			**(48)**		
TOTAL		**(429)**	**45**		**(384)**	**(43)**

3. Net investment hedge

Nil.

4. Portfolio fair value hedge of interest rate risk

(in EUR million)	31/12/2019 Carrying amount of the hedged item	31/12/2020 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%
Interest rate and foreign exchange derivatives								
* Notional amount (in EUR million)	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	2.5%		2.11%	3.27%	2.58%	2.79%	1.71%	3.19%

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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%
Interest rate and foreign exchange derivatives						
* Notional amount (in EUR million)	872	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)	VI. Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	XVIII. Gains and losses directly recognised in equity of the balance sheet	VI. Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	XVIII. 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

	31/12/2019			31/12/2020		
	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Amount reclassified from the cash flow hedge reserve to profit or loss - discontinued hedge
(in EUR million)	Gains and losses directly recognised in equity of the balance sheet	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Gains and losses directly recognised in equity of the balance sheet	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income
Interest rate risk	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)	Belgium	France	Ireland	Italy	United States	Others	Total
As at 31 December 2019							
NET BANKING INCOME (1)	**0**	**(130)**	**(140)**	**(96)**	**(371)**	**(9)**	**(746)**
As at 31 December 2020							
NET BANKING INCOME (1)	**(3)**	**(92)**	**88**	**(195)**	**(2)**	**(11)**	**(216)**

(1) See note 1.3 : "Significant items included in the income statement".

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.

Report of the board of auditors to the shareholders' meeting of Dexia SA or the year ended 31 December 2020 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Dexia SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report of the board of auditors. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 20 May 2020, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2022. Deloitte Réviseurs d'Entreprises / Bedrijfsrevisoren has performed the audit of the consolidated financial statements of Dexia SA for 13 consecutive periods. Mazars Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the consolidated financial statements of Dexia SA for 4 consecutive periods.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of EUR 114,427 million and the consolidated income statement shows a consolidated net loss (Group share) for the year then ended of EUR 618 million.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2020 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the board of statutory auditors for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying the above unqualified opinion, we draw your attention to the change of presentation, in the consolidated statement of income, of the interest income and interest expenses related to the financial derivatives recognized at fair value through profit or loss as described in the notes 1.1.2.6 and 5.1 of the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 1 - The ability to continue as a going concern used for the preparation of the consolidated financial statements *(We refer to the note 1.1.1.2 and note 1.4.1 in the notes to the Consolidated Financial Statements)*	
The Group's ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on 28 December 2012. This plan, further reassessed by the Board of Directors of Dexia of 14 December 2020, is based, among others, on the following assumptions: • the macro-economic assumptions underlying the business plan are revised as part of the biannual reviews of the orderly resolution plan, which also include a review of the latest observable market data and a review of the latest accounting standards and regulatory developments. In its latest update, the business plan incorporates a basis macroeconomic scenario, based on the ECB reference scenario published on 4 June 2020, and incorporates observable market data as at 30 June 2020; • the business plan assumes the preservation of the banking license of Dexia Credit Local and of the credit rating of Dexia Credit Local; • the continuation of the resolution plan assumes that Dexia Group maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured borrowings; • the renewal of the guarantee by the Belgian and French States, as from the 1st of January 2022, approved by the European Commission on 27 September 2019. A law approving the renewal of the guarantee was voted in France on 29 December 2020 and a draft of law, approved by the 'Conseil des Ministres', was submitted to the Belgian Federal Parliament for approval. • finally, the Group is sensitive to the evolution of its macroeconomic environment and to market parameters, including exchange rates, interest rates and credit spreads. An unfavourable evolution, for a long period, of these parameters may impact the liquidity and solvability levels of the Group. It might also impact the valuation of the assets, liabilities and OTC derivatives, for which the changes in fair value are recognized in the statement of income or in equity, which may trigger a change in the capital requirement of the Group. 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 worldwide spread of the Covid-19 coronavirus, as mentioned in the note 1.4.1. to the consolidated financial statements.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of the Dexia Group of the Group's ability to continue as a going concern over a period of twelve months starting at the closing date of the financial year, as prescribed by IAS 1 – "Presentation of Financial Statements", as well as the elements used to justify the assessment and the underlying documentation: We have applied, amongst other, the following diligences prescribed by IAS 570 "Going Concern": • through discussion with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia; • we have assessed the design and implementation of internal control processes used in the preparation of the liquidity projections. • we have considered the main regulatory ratios as of 31 December 2020 (Liquidity Coverage Ratio, Common Equity Tier 1) in light of the requirements applicable at that date to the Dexia Group. • we have inquired with the Executive Committee and Board of Directors about the latest underlying assumptions to the revised business plan, based on end of June 2020 data and approved by the Board of Directors on 14 December 2020. • we have considered the quarterly reports on the funding strategy and operational continuity, prepared by Dexia as requested by the supervisory authorites and correspondence with these authorities. • Concerning the health crisis related to the Covid-19 coronavirus, we have taken note of Management's assessment on its effects on the continuity of Dexia Group. Finally, we have examined the compliance with the legal and regulatory requirements of the information related to the going concern in the notes of the consolidated financial statements, including the uncertainties surrounding the preparation of the consolidated financial statements on a going concern basis.

There are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of the Group's operations over the duration of the resolution including: • the conditions to access the Eurosystem financing facilities after 2021; • the existence of new accounting or prudential rules not known to date by the Management of Dexia Group; • the long-term organizational and legal structure of the Dexia Group; However, at this stage, for the Management of the Group, these uncertainties do not call into question the fundamentals of the resolution, which justifies the preparation of the consolidated financial statements on a going concern basis, in accordance with IAS 1. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption as a key audit matter.	

Key audit matters	**How our audit addressed the key audit matters**
Description key audit matter 2 – Consequences of the Group's assets deleveraging plan *(We refer to the note 1.1.6.2.1, 1.3 and 2.13 in the notes to the Consolidated Financial Statements)*	
The implementation of the assets deleveraging plan called "Remedial Deleveraging Plan" was approved by by the Board of Directors of Dexia Group on 19 July 2019 as indicated in the note 2.13. This decision has been analysed, in relation to the IFRS 9 standard, as a change of business model occurring in the first half of 2019. With the application of the IFRS 9 standard, the change in business model led to the reclassification, as at 1st January 2020 (i.e. the first day of the next reporting period), of the portfolios of financial instruments previously classified in amortized cost category into the "financial instruments at fair value through other comprehensive income" and "financial instruments at fair value through profit or loss" categories, based on the business models defined by the Management and approved by the Board of Directors. The reclassification of the asset portfolios for a nominal of EUR 6,375 million impacted the statement of income by EUR -104 million and the equity by EUR -92 million. Given the accounting impacts in the consolidated financial statements and the accounting effects of the change in business models under IFRS accounting standards, we consider the "Remedial Deleveraging Plan" as 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 committees; • reconciliation between the portfolio of assets for which governance bodies have acted a change in business model and the portfolio of assets effectively reclassified in accounting as at 1st January 2020; • analysis of the criteria used by the governance bodies to classify financial assets in accounting categories with an impact on income or equity, and examination of their compliance with the accounting standards; • review of the accounting entries of the reclassification portfolio of assets based on the accounting rules; • the use of our experts to critically review, on a sample basis, the valuation of the fair value of the portfolios of assets reclassified. Finally we have examined the information disclosed in the notes to the Consolidated Financial Statements related to the "Remedial Deleveraging Plan" including the information pescribed by IFRS 7 "Financial Instruments: Disclosures".

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 3 – Operational risks linked to the information systems *(We refer to the note 1.5 in the notes to the Consolidated Financial Statements.)*	
Dexia is dependent, for its operational activities, on the reliability and security of its information systems. The activities of the Group takes place in the specific context of the management of the existing assets portfolios in rundown, in the context of the orderly resolution plan validated by the European Commission on 28 December 2012. In this context, and in order to ensure operational continuity, Dexia Group has outsourced its IT function (development, production and infrastructure) and back offices to an external service provider. Dexia Group has also decided, since the 2018 financial year, to entrust the upgrade and management of the IT infrastructure to the same service provider. The current health crisis linked to the worldwide spread of the Covid-19 coronavirus has also forced employees to work remotely to ensure the continuity of the activities. The measures applied by the Group, also exposes the Group to new risks, including the opening of the information systems to allow a remote access to the applications and for the processing of transactions. In this specific context, the management of operational risk related to the performance of the information systems and the automated treatment of accounting and financial information is considered as a key audit matter.	The assessment of the general IT controls used throughout the accounting and financial information processing chains is a key step in our audit approach. The audit work performed, some of which was carried out directly at the external service provider, with the assistance of our IT specialists, consisted in particular of: • understanding the structure of the IT landscape and the processes and controls related to the production of the accounting and financial information; • examinating the way Dexia Group handled the impacts of IT incidents that occurred during the accounting period and the related corrective actions implemented; • assessing the operating effectiveness of general IT controls in the context of the Covid-19 health crisis and the remote work for the employees (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; • performing detailed procedures on manual journal entries, related to the write access rights of manual entries, and to the review of the supporting documentation justifying the nature and input of manual entries; • understanding the control and supervision framework currently developed by Dexia Group related to the key services rendered by the external service provider in the context of the outsourcing. • review fo the governance framework developed by the Group to ensure the resilience of the information sytems in the context of the Covid-19 health crisis. Finally, we have reviewed the information presented in the notes to the Consolidated Financial Statements related to the operational risks with relation to the information systems.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 4 - Assessment of credit risk and evaluation of impairments *(We refer to the notes 1.1.6.2.5, 1.4.1, 2.4 to 2.7, 3.6, 5.10 and 7.2 in the notes to the Consolidated Financial Statements.)*	
The impairments recorded by Dexia Group to cover the credit risks inherent in its banking activities are determined in accordance with the provisions of IFRS 9, including the principle of expected credit losses. The evaluation of the expected credit losses related to the financial assets requires the use of judgment, in particular in the context of the Covid-19 health crisis, 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 an uncertain evironment, 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. • Identify the sensitive sectors impacted by the Covid-19 health crisis and assess the impact of the crisis on the credit risk of the counterparties identified. As at 31 December 2020, financial assets' gross amounts exposed to credit risk amounts to EUR 82,858 million; the total impairments amounts to EUR 455 million and the Group's cost of risk is negative and amounts to EUR 169 million. As the classification of exposures into the different credit risk stages and the determination of expected losses require management's judgment and estimates, in a context also impacted by the Covid-19 health crisis, we considered the assessment of the level of credit risk to be a key audit matter.	We have assessed the design and implementation Dexia Group's internal control framework on the credit risk and have tested the operating effectiveness of the key controls related to the assessment of credit risk and evaluation of expected losses. Our procedures included, among others, the following processes: • governance: – we have considered the internal control system framing the definition and validation of the impairment models and the parameters used to calculate these impairments, and of the work and conclusions of the risk management department concerning the internal validation of the IFRS 9 impairment models; – we have carefully considered the appreciation of the management of the Covid-19 health crisis effects on the provisioning level of the credit exposures. • exposures' classification per stage: – we have checked the appropriate staging of outstanding amounts by stage. – we have reviewed the Group's assessment of the effects of the Covid-19 health crisis on the assets classification, and among others the recording of a collective provision for the exposures sensitive the Covid-19 health crisis. – with the assistance of our specialists in charge of the credit risk, we have validated the Dexia Group's retained methodologies for the measurement of the increase in credit risk and its correct operational implementation in the information systems; • evaluation of expected losses: – we have validated the Dexia Group's retained methodologies for the determination of the parameters used for the impairment calculation and their evolution in the context of the Covid-19 crisis, their correct operational implementation in the information systems and the effectiveness of the key controls regarding data quality; – for the specific impairments on financial assets classified in stage 3, we have assessed based on samplings, the management assumptions and data used for the estimation of impairments. – We have assessed the reasonableness of appropriateness of the macro-economic scenarios defined by the management, the definitions of the scenarios and the weighting of each of the scenarios. We have also examined the information presented in the notes to the Consolidated Financial Statements related to the credit risk, including the quantitative and qualitative information related to the Covid-19 health crisis and its impact on the credit risk.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Description key audit matter 5 – Valuation of the financial instruments classified in level 3 in the fair value hierarchy
(We refer to the notes 1.1.7, 2.3, 2.4, 3.1, 4.1, 5.3, 5.4 and 7.1 in the notes to the Consolidated Financial Statements)</td><td></td></tr>
<tr><td>In conducting its market activities, Dexia Group holds financial instruments classified in level 3 in the fair value hierarchy. These instruments are recorded at fair market value based on valuation models, including significant parameters which are either unobservable or cannot be corroborated directly with market data.

The fair values calculated may be subject to additional value adjustments to take into account certain market, liquidity and counterparty risks, notably for the derivatives:

• Credit Value Adjustment (CVA): takes into account the risk of default of the counterparty;

• Debit Value Adjustment (DVA): takes into account the own credit risk of Dexia Group;

• Funding Value Adjustment (FVA): takes into account the financing costs for the non-collateralized derivatives; and

• the use of an actualization curve based on a daily rate curve (OIS).

The methods used by Dexia Group to value the financial instruments, as well as the estimation of the additional fair value adjustments, involve a significant part of professional judgment regarding the defined methodologies, the choice of valuation parameters and the fair value adjustments, as well as in the selection and the use of internal valuation models.

These financial instruments classified in Level 3 in the fair value hierarchy in note 7.1 of the notes represent EUR 16,694 million of the assets and EUR 33,307 million of the liabilities of the consolidated balance of the Group as at 31 December 2020.

Due to the material outstanding amounts, the significant use of professional judgment in the estimation of the fair value, and the uncertainties surrounding the effect of the Covid-19 health crisis on the financial markets, we have assessed that the evaluation of the financial instruments classified in level 3 is a key audit matter.</td><td>We have assessed the relevance of the key controls, defined and implemented by Dexia Group in the context of the valuation of financial instruments classified in level 3 including those relating to:

• the governance defined by the risk management of the controls on the valuation models;

• the independent verification of the valuation parameters: we have, among others, analyzed the relevance of the data sources used in accordance with the general principles of a Mark-to-Market valuation and we have assessed the respect of the hierarchy of these sources;

• the estimation of fair value adjustments: we have assessed, amongst others, the relevance of the methodologies used, performed an analytical review of the impacts, examined the reconciliation with the accounting data, and a assessed the level of the reserves recorded.

We have relied on our valuation experts to perform, on the basis of samples:

• the review of the level of the significant reserves recorded to cover the uncertainties pertaining to the valuation models.

• an analysis of the relevance of the valuation parameters withheld;

• the independent validation of valuations by using our own models.

We have assessed the design of the tool used for the calculation and exchange of collaterals on financial derivative instruments and we have analyzed the main calculation differences in valuations with the counterparties for these instruments in order to support our assessment of the reliability of Dexia Group's valuations.

We have ensured that there has been no significant change in the criterias for the classification of the financial instruments used by the Group in the fair value hierarchy as defined by the IFRS 13 standard.

We have examined the information included in the notes to the Consolidated Financial Statements regarding the valuation of financial instruments in the context of the requirements of IFRS 13.</td></tr>
</table>

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 6 – Identification and evaluation of the provisions for legal risk related to litigations *(We refer to note 3.6 Provisions in the notes of the Consolidated Financial Statements and to the litigation section in the caption "Risk Management" of the Management Report to which note 3.6 refers and where the Board of Directors describes the main litigations that the Group Dexia is facing)*	
In the context of its activities, Dexia Group is involved in a certain number of legal risks and litigations. The consequences, as assessed by the Group based on the available information at closing date, of the main litigations, including those related to the 'share leasing' activities in the Netherlands and the investigations with a potential significant outlook on the financial situation, on the results or on the assets of the Group, are reflected in the Consolidated Financial Statements. The Group complies with the requirements of IAS 37 for the evaluation and recording of provisions for certain risks. The recording of a provision or contingent liability in order to cover the legal risk requires by nature the use of professional judgment due to the difficulty to estimate the outcome of litigations that may arise. Due to the nature of the current procedures against Dexia Group and given the use of estimation in the determination of the provisions, we consider the legal risk related to litigations as a key audit matter.	We have assessed the adequacy of the internal control system and tested the operating effectiveness of key controls related to the process of determining the provisions for litigation. These controls mainly concern the identification of the files to be provisioned based on the motives of the dispute and the determination of the amount of the provisions estimated using the methodologies retained by Dexia Group. Our audit work has focused on the following: • we have conducted discussion with management and more specifically Dexia Group's legal department; • we have examined the motives for the current disputes and have assessed the adequacy of the existence of provisions based on the Group's assumptions; • we have assessed the principles and assumptions used by the Group to estimate the amount of provisions for litigations; • we have inquired with the law firms with which Dexia Group is working to obtain and review the assessment made by these lawyers on the status of the litigations; • finally, we have examined the information in the note 3.6 of the Consolidated Financial Statements for provisions.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the board of auditors for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the board of auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted. Our responsibilities related to application by the board of directors of the going concen basis of accounting are described here below.
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
• conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the board of auditors to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the board of auditors. However, future events or conditions may cause the group to cease to continue as a going concern;
• evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

Responsibilities of the the board of auditors

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements, the statement of non-financial information attached to the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements, as well as to report on this matter.

Aspects regarding the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:32, § 2 of the Code of companies and associations, has been disclosed in the directors' report on the consolidated financial statements under section "Non-financial declaration – Corporate social responsibility" that is part of the annual report. The Dexia Group in accordance with the law of 3 September 2017 related to the publication of non-financial information and information on diversity by large corporates and groups, which transposes Directive 2014/95 /EU, has established this non-financial information. In accordance with article 3:80 § 1, 5° of the Code of companies and associations we do not express any opinion on the question whether this non-financial information has been established in accordance with the above mentioned law.

Statements regarding independence

• Our audit firms and our networks have not performed any prohibited services and our audit firms have remained independent from the group during the performance of our mandate.

Other statements

This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Signed at Zaventem and Brussels

The board of auditors

Deloitte Bedrijfsrevisoren/ Réviseurs d'Entreprises BV/SRL Represented by Franky Wevers	Mazars Bedrijfsrevisoren/ Réviseurs d'Entreprises CVBA/SCRL Represented by Xavier Doyen

Annual financial statements as at 31 December 2020

Balance Sheet
(before income appropriation)

ASSETS (in EUR)		31/12/2019	31/12/2020
FIXED ASSETS		**93,278,440**	**93,221,512**
II.	Intangible fixed assets	62,961	30,451
III.	Tangible fixed assets	72,540	49,622
	B. Plant, machinery and equipment	4,190	2,698
	C. Furniture and vehicles	60,264	43,660
	E. Other tangible fixed assets	8,086	3,264
IV.	Financial fixed assets	93,142,939	93,141,439
	A. Affiliated enterprises	93,141,389	93,141,389
	1. Participating interests	93,141,389	93,141,389
	C. Other financial assets	1,550	50
	2. Amounts receivable and cash guarantees	1,550	50
CURRENT ASSETS		**739,725,204**	**727,660,830**
V.	Amounts receivable after more than one year	100,692,125	100,839,247
	B. Other amounts receivable	100,692,125	100,839,247
VII.	Amounts receivable within one year	1,840,405	1,293,587
	A. Trade debtors	1,108,764	772,461
	B. Other amounts receivable	731,641	521,126
VIII.	Current investments	633,677,126	622,486,420
	B. Other investments and deposits	633,677,126	622,486,420
IX.	Cash at bank and in hand	2,275,349	1,720,168
X.	Deferred charges and accrued income	1,240,199	1,321,408
TOTAL ASSETS		**833,003,644**	**820,882,342**

SHAREHOLDERS' EQUITY AND LIABILITIES		31/12/2019	31/12/2020
(in EUR)			
EQUITY		**731,072,446**	**719,274,321**
I.	Apport	2,400,000,000	2,400,000,000
	A. Capital	500,000,000	500,000,000
	1. Issued capital	500,000,000	500,000,000
	B. Outside of the capital	1,900,000,000	1,900,000,000
	1. Share premium account	1,900,000,000	1,900,000,000
IV.	Reserves	322,880,172	322,880,172
	A. Unavailable reserve	50,000,000	50,000,000
	1. Legal reserve	50,000,000	50,000,000
	C. Available reserves	272,880,172	272,880,172
V.	Retairned earnings	263,274,948	(1,991,807,726)
V. bis.	Loss (-) for the year [1]	(2,255,082,674)	(11,798,125)
PROVISIONS AND DEFERRED TAXES		**53,338,694**	**52,447,499**
VII.	A. Provisions for liabilities and charges	53,338,694	52,447,499
	5. Other liabilities and charges	53,338,694	52,447,499
AMOUNTS PAYABLE		**48,592,504**	**49,160,522**
VIII.	Amounts payable after more than one year	39,788,000	39,788,000
	A. Financial liabilities	39,788,000	39,788,000
	1. Subordinated loans	39,788,000	39,788,000
IX.	Amounts payable within one year	8,406,651	9,158,588
	C. Trade debts	2,324,992	3,031,070
	1. Suppliers	2,324,992	3,031,070
	E. Taxes, remuneration and social security	2,477,494	2,056,617
	1. Taxes	93,638	161,106
	2. Remuneration and social security	2,383,856	1,895,511
	F. Other amounts payable	3,604,165	4,070,901
X.	Accrued charges and deferred income	397,853	213,934
TOTAL LIABILITIES		**833,003,644**	**820,882,342**

(1) See note 1 to the financial statements

Off-balance-sheet items

(in EUR)	31/12/2019	31/12/2020
Miscellaneous rights and commitments		
Guarantee given by the French and Belgian States for the Finanial Products portfolio [1]	PM	PM
Guarantees given by third parties on behalf of the company	302,973	302,973
Real guarantees given on own assets	308,889	308,889
Issuance of beneficiary participations	PM	PM
Commitment towards Dexia Bank Nederland NV	PM	PM
Commitments others ngagement autres [2]	PM	PM

(1) See note 4.4.c. of the consolidated financial statement
(2) See note 4.4. Off-balance-sheet items - Commitments

Income Statement

(in EUR)		31/12/2019	31/12/2020
I.	Operating income	7,432,733	9,816,991
	D. Other operating income	6,976,390	9,016,991
	E. Non-recurring operating income	456,343	800,000
II.	Operating charges	(23,844,773)	(19,063,811)
	B. Services and other goods	(12,474,129)	(9,806,505)
	C. Remuneration, social security costs and pensions	(8,871,181)	(8,629,159)
	D. Depreciation of and amounts written off on formation expenses, intangible and tangible fixed assets	(174,135)	(68,898)
	F. Provisions for liabilities and charges : Increase (-)	(150,840)	(150,838)
	G. Other operating charges	(207,072)	(52,524)
	I. Non-recurring operating charges	(1,967,416)	(355,887)
III.	Operating Loss (-)	(16,412,040)	(9,246,820)
IV.	Financial income	11,784,969	219,336
	A. Recurring financial income	7,567,917	219,336
	2. Income from current assets	243,402	215,987
	3. Other financial income	7,324,515	3,349
	B. Non-recurring financial income	4,217,052	0
V.	Financial charges	(2,252,459,201)	(3,386,746)
	A. Recurring financial charges	(1,709,550)	(3,291,174)
	1. Debt charges	(31,199)	(30,892)
	3. Other financial charges	(1,678,351)	(3,260,282)
	B. Non-recurring financial charges	(2,250,749,651)	(95,572)
VI.	Loss (-) for the period before taxes	(2,257,086,272)	(12,414,230)
VIII.	Income taxes	2,003,598	616,105
	A. Income taxes	(4,330,270)	(7,000)
	B. Adjustment of income taxes and write-back of tax provisions	6,333,868	623,105
IX.	Loss (-) for the period	(2,255,082,674)	(11,798,125)
XI.	Loss (-) to be appropiated	(2,255,082,674)	(11,798,125)
	Profit brought forward of the previous period	263,274,948	(1,991,807,726)
	Loss for the period to be appropriated	(2,255,082,674)	(11,798,125)
	PROFIT(+) / LOSS(-) TO BE APPROPRIATED	**(1,991,807,726)**	**(2,003,605,851)**

Notes to the annual financial statements

1. Presentation of the financial statements

Dexia presents its financial statements before appropriation. The 2020 financial year closed with a loss of EUR -11.8 million. The loss carried over from the previous period is EUR -1,991.8 million. As a result, the total loss to be appropriated is EUR – 2,003.6 million.

2. Annual financial statements and chart of accounts

Dexia is a limited company and a financial company governed by the Belgian law whose capital is represented by 420,134,302 shares without designation of their nominal value, and exclusively registered, not negotiable on the Euronext market and not convertible in dematerialized shares of which 418,408,714 are held by the Belgian and French States as at December 31st 2020.
Dexia is subject to the ordinary law of annual accounts as filed in the new Code of Companies and Associations of March 23, 2019 and its royal implementing decree of April 29, 2019.
Therefore, the Dexia chart of accounts is consistent in its content, presentation and numbering with the chart of accounts referred to by the royal decree of April 29, 2019
The items included in the accounting plan that do not apply to Dexia have been excluded.
The financial statements are presented in EUR.

3. Accounting policies

3.1. General policies

3.1.1. LEGISLATION

The valuation rules are in accordance with the royal decree of April 29, 2019 implementing the Code of companies. If legislation allows options or authorises a waiver, the accounting policies hereafter shall mention the option chosen or whether such a waiver has been applied.

3.1.2. FOREIGN CURRENCY TRANSLATION INTO EUR

Monetary assets, liabilities, rights and commitments denominated in foreign currencies are translated into EUR at the last day average year-end exchange rate.
Non-monetary items are translated into EUR based at the exchange rate ruling in effect on the transaction date.
Foreign currency income and expense are translated into EUR at the exchange rate ruling in effect on the date on which the income or expense is recognised in the statement of income.

3.2. Assets

3.2.1. FORMATION EXPENSES (ITEM I.)

All formation expenses are booked into charges for 100% during the period in which they are incurred.

3.2.2. INTANGIBLE FIXED ASSETS (ITEM II.)

License costs, external costs linked to software development and to the development of the Dexia Group website are recorded as intangible fixed assets when the acquisition price is at least equal to EUR 1,000 VAT non included per item or, when delivery is broken down into partial shipments representing less than EUR 1,000 each but the total delivery is at least EUR 1,000. From the 2021 financial year, this threshold of EUR 1,000 excluding VAT will be reduced to EUR 500 including VAT.
Intangible fixed assets are depreciated over a maximum of five years.
Furthermore, the internal costs related to the development of software and the website are entirely charged in the financial year in which they are exposed.
Exceptional amortizations are recorded in order to align the accounting value of the intangible fixed assets to their utilization value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.3. TANGIBLE FIXED ASSETS (ITEM III.)

Tangible fixed assets are included in the assets when the acquisition price is at least equal to EUR 1,000 VAT non included per item.
From the 2021 financial year, this threshold of EUR 1,000 excluding VAT will be reduced to EUR 500 including VAT.
If necessary, exceptional depreciations are recorded in order to align the accounting value of fixed assets to their utilization value for the company to take into account their alteration or changes in economic or technological circumstances. Exceptional depreciations are reversed if they are no longer justified.

3.2.4. FINANCIAL ASSETS (ITEM IV.)

Participating interests and shares are recorded on the balance sheet at their acquisition cost or contribution cost. Accessory acquisition fees are charged to the period of acquisition.
Impairments are recorded in the case of capital losses or lasting depreciation. They are determined by reference to the financial position, profitability, and prospects of the company in which shares and/or equity interests are held.

Participating interests and shares may also be revalued. It is therefore required that their value, determined on the basis of their usefulness to the company, presents a certain and lasting surplus in relation to their book value.
Debts appearing under financial fixed assets are valued according to the same principles as debts at more than one year and up to one year.

3.2.5. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR AND WITHIN ONE YEAR (ITEMS V. AND VII.)

Receivables are stated on the balance sheet at their nominal value. Impairments are booked to cover any risk of non-recovery.

3.2.6. SHORT-TERM INVESTMENTS AND CASH ASSETS (ITEMS VIII. AND IX.)

Cash is stated at nominal value.
Securities are stated at acquisition cost, while accessorial acquisition costs are recorded in the statement of income of the year in which they are incurred.
At balance sheet date, impairments are recorded on short-term investments and liquid assets if their realization value is lower than their book value.
Additional impairments are recorded on these assets in order to reflect either a change in their realization or market value, or the risks inherent in the nature of the products concerned or the activities carried out.

3.3. Liabilities

3.3.1. REVALUATION RESERVES (ITEM III.)

Shares and participating interests recorded as long-term investments may be revaluated in the case of a certain, permanent increase in their fair value for the company compared with their book value.
Revaluation reserves are maintained under this heading until the realization of the assets concerned or their inclusion in capital.

3.3.2. PROVISIONS FOR LIABILITIES AND CHARGES (ITEM VII.)

At balance-sheet date, the Board of Directors, acting with prudence, sincerity and good faith, examines the provisions to be built up in order to cover all possible risks or losses that might have occurred during the financial year or previous financial years, and, in case of an obligation, the expected amount necessary to pay the debt on the balance sheet date.
Provisions relating to previous financial years are regularly reviewed and reversed if they have become irrelevant.

3.3.3. DEBTS OF OVER ONE YEAR AND UP TO ONE YEAR (ITEMS VIII. AND IX.)

Debts are stated for their nominal value on the balance sheet.

3.4. Off-balance sheet items

Off-balance sheet items are recorded for the nominal value of the rights and commitments mentioned in the contract or for their estimated value.

4. Notes to the annual financial statements

Dexia is a cross-border holding company which has a permanent establishment in Paris, 1, passerelle des Reflets, Tour CBX– La Défense 2, F-92919 Paris. From an accounting point of view, the financial statements of Dexia include the accounts of Brussels, the Dexia head office, and those of the permanent French establishment in Paris.

GOING CONCERN

The statutory financial statements of Dexia as at 31 December 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 statutory financial statements as at 31 December 2020 have changed compared to the 2019 financial year-end.
The main assumptions and areas of uncertainty, reinforced in particular by the situation related to the Covid-19 pandemic, are summarised below:
• The business plan assumes the maintenance of the banking licence of Dexia Crédit Local and the maintenance of the Dexia Crédit Local rating at a level equivalent to or higher than the level of Investment Grade.
• The ongoing resolution assumes that Dexia retains a sound funding capacity, relying in particular on the appetite of investors for debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group’s capacity to raise secured funding. The European Commission's confirmation of the 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, the Dexia Group is also very sensitive to changes in the macroeconomic environment and market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters over time could have an adverse impact on the Group's liquidity and solvency levels. It could also have an impact on the valuation of financial assets, liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through shareholders' equity and could lead to a change in the Group's regulatory capital.

• In particular, considering the decisions taken by the Board of Directors in 2019, relating to the implementation of an asset disposal plan for a total of approximately EUR 13 billion[1], Dexia is exposed to the evolution of the fair value of these assets until their effective disposal.

• Furthermore the Group is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been increased by the teleworking environment imposed by the Covid-19 pandemic.

• Finally, residual uncertainties related, for example, to new changes in accounting and prudential rules over the duration of the Group's resolution could lead to a significant change in the resolution path initially anticipated.

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

• Since the Group's entry into orderly resolution, Dexia has continuously reduced its funding requirements and extended the maturity of the funding raised, with a view to prudent management of its liquidity. The acceleration of asset sales decided during the summer of 2019 has notably enabled 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 due to the Covid-19 pandemic, Dexia executed its entire long-term refinancing programme on terms close to its budgetary target. The Group also demonstrated its ability to mobilise significant liquidity reserves on the secured debt market, which remained active, without recourse to the facilities of the European Central Bank (ECB). Indeed, Dexia was able to maintain a liquidity reserve deemed to be in line the restriction of access to ECB funding announced on 21 July 2017[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 executed two long-term public transactions in euros and pounds sterling for EUR 1.5 billion and GBP 750 million respectively, representing almost half of the long-term funding programme planned for the year.

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

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

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

• Management has also taken into account the constraints and uncertainties of its operating model as well as the going concern risks inherent to Dexia's 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 of 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 4 to the statutory financial statements in this annual report into account, Dexia management confirms that as at 31 December 2020, they do not call into question the fundamentals of the Group's orderly resolution and do not lead to the assessment of the application of the going concern agreement being called into question. Consequently, the financial statements can be prepared on a going concern basis.

(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.

4.1. Balance sheet total (before income appropriation)

The balance sheet total of EUR 820.9 million as at 31 December 2020 remains stable when compared to EUR 833 million as at 31 December 2019.

4.2. Assets

FIXED ASSETS

4.2.1. INTANGIBLE FIXED ASSETS

Intangible fixed assets totalled EUR 0.1 million and concerns the acquisition and the development of software.
These assets are depreciated on a straight-line method over a period of three years.

4.2.2. TANGIBLE FIXED ASSETS

Tangible fixed assets which have a net book value of EUR 0.1 million have a gross acquisition value of EUR 3.3 million. Property, plant and equipment contribute to a gross acquisition value of EUR 1.4 million and are depreciated on a straight-line base over a period of ten years.
The office, computer and audio-visual equipment represents a gross investment of EUR 0.6 million which is depreciated at a linear rate of 25%.
Other tangible fixed assets involving the installation of the leased buildings, notably the buildings located in the Bastion Tower in Brussels (gross acquisition value of EUR 1.2 million), are depreciated on a straight-line basis over the period of the lease contracts.

4.2.3. FINANCIAL FIXED ASSETS

Participation interests in affiliated companies

The item "Participating Interest" didn't change and represents EUR 93.1 million as at 31 December 2020).
It includes the following equity interests:
• EUR 0 million: 100% of Dexia Crédit Local (DCL), Paris, France.
The gross acquisition value of the DCL amounts to EUR 17,203.8 million and has been reduced to zero., As mentioned in the 2019 annual report, as of September 27, 2019, the European Commission approved the extension by the Belgian and French States of the Dexia financing guarantee, which is however subject to new conditions including the establishment of a conditional deferred commission resulting in the fact that any net DCL liquidation proceeds can only be negative after payment to the States of the party deferred from the aforementioned guarantee commission.
• EUR 93.0 million: 100% of Dexia Nederland BV, Amsterdam, The Netherlands.
• EUR 0.1 million: 100% of Dexiarail SA, Paris, France.

CURRENT ASSETS

4.2.4. RECEIVABLES AFTER MORE THAN ONE YEAR

Other amounts receivables

Since 2002, the permanent establishment of Dexia in Paris has headed the tax consolidation group in France. As at 31 December 2020, the group includes the follow-ing companies:
• DCL Evolution
• Dexia CLF Régions Bail
• Dexia Crédit Local
• Dexia Établissement Stable Paris
• Dexia Flobail
• Dexiarail
• Genebus Lease.

Given that the commitments made by Dexia Crédit Local and its subsidiaries allow Dexia, through its permanent establishment, to realise temporary tax savings, it was agreed that the economies generated by the permanent establishment would be lent to the tax consolidation Group's subsidiaries that made it possible to realise the tax savings through advances called "deferred tax advances".
The total of deferred tax advances granted by the permanent establishment with contractual maturity after 31 December 2021 amounted to EUR 87.9 million on 31 December 2020.

In order to ensure the operational continuity of Dexia and carry out the imposed orderly resolution plan of the Group, a trust Hyperion was founded on November 29, 2012 with the objective to pay, on behalf of Dexia, severance pay as provided for by the collective agreement on leaving conditions concluded on December 21 2011, to all staff of Dexia who have accepted to stay at least until October 2014. A loan was granted to Hyperion to finance its activities, the outstanding amount of the loan, of which the maturity is more than 1 year, is EUR 12.9 million on 31 December 2020.

4.2.5. AMOUNTS RECEIVABLE WITHIN ONE YEAR

Trade debtors

The item "Trade debtors" (EUR 0,8 million) includes commercial receivables to be charged essential to subsidiaries from the Group (EUR 0.8 million).

Other amounts receivable

The permanent establishment of Dexia in Paris is the head of the tax consolidation group in France. It is, as a result, solely liable for corporation tax from the Group in relation to its fiscal integration, given that taxes due from companies included in the tax consolidation must be paid to the permanent establishment. On 31 December 2020, the permanent establishment in Paris had a receivable of EUR 0.2 million to the French tax authorities as the parent company for French tax consolidation for the years 2015 to 2019.

In addition, Dexia has a receivable of EUR 0.3 million corresponding to the short-term maturity of the loan granted to Hyperion.

The balance consists of various claims of insignificant amounts.

4.2.6. CURRENT INVESTMENTS

Other investments and deposits

The amendment in April 2019 of the Law of December 21, 2013 on various fiscal and financial provisions, which provides in its article 115 that Dexia must invest its cash directly with the Belgian Treasury. Therefore, at December 31, 2020, Dexia has a 48-hour deposit of EUR 622.5 million with the Federal Debt Agency .

4.2.7. CASH AT BANK AND IN HAND

Available cash at banks and in hand totalled EUR 1,7 million.

4.2.8. DEFERRED CHARGES AND ACCRUED INCOME

Deferred charges totalled EUR 1.2 million and includes insurance (EUR 0.1 million), databases (EUR 0.6 million), software (EUR 0.4 millon) and also other general expenses (EUR 0.1 million).
Also included under this heading are accrued income (EUR 0.1 million) consisting of interest on deferred tax advances.

4.3. Shareholders' equity and liabilities

SHAREHOLDERS' EQUITY

As at 31 December 2020, the holding company's shareholders' equity including 2020 net result before profit appropriation totalled EUR 719.3 million and is com-posed of the following items:

4.3.1. CAPITAL

The subscribed and fully released capital as at 31 December 2020 amounts to EUR 500 million and is
represented by 420 134 302 shares without indication of their nominal value and each representing 1/420 134 302th of the statutory capital.
Following the withdrawal from trading of 1,948,984 Dexia shares listed on the regulated market of Euronext Brussels on the date of December 2, 2019, the shares representing the capital of Dexia are now exclusively registered and cannot be converted into dematerialized shares.
It should be noted that as of December 31, 2020, 221,749,916 shares were held by the Belgian State through the Société Fédérale de participations et d'investissement (SFPI), i.e. 52.78% and 196,658,798 shares by the French State through the Agence des Participations de l'Etat , or 46.81%.
In addition, on December 7, 2017, Dexia issued 28,947,368 beneficiary units bearing Contingent Liquidation Rights (CLR), which were granted to the Belgian and French States. These CLR do not contain voting rights and do not represent the capital of Dexia, but give the States the right to benefit from a preferential distribution, upon the liquidation of Dexia, after the settlement of debts and charges, amounting to EUR 440 million every year from 1 January 2018 until the date of liquidation.

4.3.2. SHARE PREMIUM ACCOUNT

The previous capital increases involved an issue premium so the total of these premiums amounts to EUR 1,900 million as at 31 December 2020

4.3.3. RESERVES AND RETAINED EARNINGS

The item "Reserves" includes the legal reserves (EUR 50 millions) and an available reserve amounting to EUR 272.9 million.

At the General Shareholders' meeting of May 20 2020, the loss of the year 2019 of EUR -2,255.1 million as well as the retained earnings of 263.3 million on 31 December 2018 contributed to the reported earnings, bringing the total retained earnings to 1,991.8 million on 31 December 2019.

4.3.4. NET RESULT FOR THE YEAR

The financial year 2020 closes with a loss of EUR -11.8 million. This loss arises from the recurrent financial results (EUR -3.1 million) and non-recurring (EUR – 0.1 million) and also the non-recurring exploitation results (EUR +0.4 million) from which are deducted the holding company's net operating expenses (EUR -9 million).

PROVISIONS AND DEFERRED TAXES

4.3.5. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for other liabilities and charges

Succeeding Dexia Crédit Local at the head of the tax consolidation group in France on January 1st of 2002, Dexia, through its permanent establishment, assumed with respect to the former head of the tax consolidation group commitments initially subscribed by Dexia Crédit Local within the context of tax leverage operations carried out in France with the approval of French tax authorities. Since then, new operations for the purpose of fiscal leverage were carried out by Dexia Credit Local, housed in subsidiaries of the consolidated tax group. These transactions have had the effect of creating an additional provision of an amount of 0.1 million EUR in 2020. The total of those commitments amounts to 1.9 million EUR at December 31 2020.

Furthermore, the exceptional provisions related to the sale of subsidiaries which amounted to EUR 37.5 million at December 31, 2019 were maintained at December 31, 2020.

The announcement of the dismantling of the Group in October 2011 resulted in 2011 and 2017 in exceptional provisions of a total amount of EUR 56 million to cover the costs of severance payments. Those provisions amounting to EUR 13.7 million on December 31, 2019 were used for the amount of EUR 0.7 million, resulting in EUR 13 million at December 31, 2020.

In addition, the balance of the provision which had to be provided in 2018 as part of a contract termination which amounted to EUR 0.4 as at December 2019, has been subject to a complete reversal.

Taking into account the above, the balance of provisions for other liabilities and charges at December 31, 2020 amounts to EUR 52.4 million compared to EUR 53.3 million at December, 2019.

LIABILITIES

4.3.6. AMOUNTS PAYABLE WITHIN MORE THAN ONE YEAR

Subordinated loans

Dexia Funding Luxemburg (DFL), a 100% subsidiary of Dexia, issued in 2006 non-cumulative fixed-rate/floating-rate perpetual securities for an amount of EUR 500 million guaranteed by Dexia (DFL securities). Following the sale of Dexia Bank Belgium (DBB) on 20 October 2011 to the Federal Holding and Investment Company, DBB launched two public offers on the DFL securities. Dexia agreed to buy from DBB the DFL securities obtained under the offer. Following the merger by absorption of DFL by Dexia on 9 May 2012, the DFL securities acquired for the amount of EUR 460.2 million were cancelled by Dexia. There remains on December 31, 2020 in the accounts of Dexia EUR 39.8 million representing the balance of the DFL securities which have not been repurchased.

4.3.7. AMOUNTS PAYABLE WITHIN ONE YEAR

Trade debts

Suppliers' invoices not yet paid amounts to EUR 1.1 million, invoices to be received EUR 1.9 million, including 1.3 million due to related companies.

Taxes, remuneration and social security

This item includes:

- the professional withholding tax and other taxes (EUR 0.2 million);
- liabilities for remuneration and social contributions (EUR 1.9 million).

Other amounts payable

As already specified, the permanent establishment of Dexia is the group head of the tax consolidation scope in France. The permanent establishment is therefore the only person liable to the French tax authorities for the corporation tax due by the tax group in France.
For subsidiaries, membership of the tax consolidation group is neutral with respect to the tax situation that would have been theirs in the absence of consolidation. Subsidiary companies must pay their contribution to the payment of corporate tax to the permanent establishment.
For the year 2020, the advances paid by the subsidiaries (EUR 0.9 million), are in excess to the estimated tax for which they are accountable to the head of the group (EUR 0.6 million). In addition, on the years 2015 to 2019, the head of the group is indebted to the subsidiaries of tax credits, for a total of EUR 0.2 million.

The balance of the dividends remaining to be paid for the previous financial years amounts to EUR 3.6 million.

4.3.8. ACCRUED CHARGES AND DEFERRED INCOME

This item consists of expenses like rental charges, exploitation taxes and other general costs (EUR 0.1 million) and also a deferred income of EUR 0.1 million.

4.4. Off-balance-sheet items – commitments

Dexia has given guarantees in the context of the sale of its participations.

Dexia has significant commitments that are recorded off-balance sheet:

4.4.1. On 2 November 2006, Dexia (DSA) issued a subordinated guarantee within the context of a subordinated "hybrid Tier 1" issue by Dexia Funding Luxembourg SA (DFL), a 100% subsidiary of Dexia (perpetual non-cumulative securities at a guaranteed fixed/floating rate, for a global amount of EUR 500 million). This subordinated guarantee was issued in favour of the security holders who subscribed to the said securities and cover the payment by DFL of (i) any coupon which has not been waived in accordance with the issue conditions and (ii) the redemption price in the case of liquidation or insolvency of DFL (or similar situations) or (iii) the redemption price in the case of purchase in accordance with the issue conditions. Following the merger of DFL and Dexia at 9 May 2012, the guarantee has automatically expired (Dexia becomes the issuer).

4.4.2. On 18 May 2005, Dexia purchased 100% of the shares of Dexia Nederland Holding NV (today called Dexia Nederland BV) from Dexia Financière SA based on a valuation made of these at EUR 93 million subject to a return to better fortune clause granted to the International Bank in Luxemburg and Dexia Bank, also share-holders of Dexia Financière, for the case where the value of Dexia Nederland Holding, including the Dexia Bank Nederland (DBnl), should be revised upwards as a consequence court decisions in favour of DBnl.

4.4.3. On 5 December 2002, Dexia committed to its subsidiary Dexia Bank Nederland NV, and to each of the entities resulting from the split-up of Dexia Bank Nederland, excluding any other entity, to ensure that Dexia Bank Nederland or the entities are at any time, in a position to meet their commitments to third parties and to continue their activities, including maintenance of their relationships with account holders and other clients; in particular, the aim of this undertaking was to prevent third parties being prejudiced by the demerger of Dexia Bank Nederland. The amendment or withdrawal of this undertaking was subject to prior agreement of DNB (De Nederlandsche Bank). The sale of Kempen & Co NV to a group of financial investors and management was finalised on 15 November 2004. Within the context of this sale, Dexia reconfirmed by letter dated the same day its commitment towards Dexia Bank Nederland, which remains a 100% subsidiary of Dexia to the exclusion of any other entity.
In addition to the usual guarantees given to purchasers to which Dexia is also bound, Dexia will indemnify Kempen & Co against the risks relating to share leasing contracts sold by Dexia Bank Nederland NV, formerly Labouchere, and committed to compensate Kempen & Co for damage resulting from a limited and identified number of elements.

4.4.4. TRANSACTIONS WITH THE BELGIAN, FRENCH AND LUXEMBOURG STATES

See note 4.4.C. "Transactions with the Belgian, French and Luxembourg states" of the consolidated financial statements.

4.4.5. LEASE GUARANTEES

The transfer of the registered office of Dexia to the Bastion Tower, Place du Champ de Mars 5, B-1050 Brussels required the deposit of an unconditional guarantee payable on first demand of EUR 0.3 million in favour of the owner of the premises.

4.4.6. REAL GUARANTEES ON OWN FUNDS

Cash frozen on an ad hoc account is given as surety to Belfius Bank for lease guarantees (EUR 0.3 million).

4.4.7. GUARANTEE GIVEN BY DEXIA TO DEXIA CRÉDIT LOCAL ("DCL") WITHIN THE FRAMEWORK OF THE SALE OF DHI TO DCL

On 13 March 2014, Dexia irreversibly committed to DCL to compensate the latter for any amounts of damages, interests and/or fees that could be incurred by DCL, as part of ongoing investigations in the United States related to the Guaranteed Investment Contracts that were concluded with the issuers of American municipal bonds.

4.4.8. ISSUE OF PROFIT SHARES (CONTINGENT LIQUIDATION RIGHTS)

As mentioned at point 4.3.1., on 7 December 2017, at the conversion of the preference shares of class B into ordinary shares, profit CLR shares have been issued and granted to holders of class B shares, namely the Belgian and French States. They therefore benefit from a preferential distribution upon the liquidation of Dexia at certain conditions. Nevertheless, the owners of those profit shares CLR have no right to vote as such, except in cases and at the conditions foreseen in accordance with the Company Code.

4.4.9. LITIGATIONS

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 Nederland BV

Dexia's Dutch subsidiary, Dexia Nederland BV (DNL) is still facing a major dispute involving several legal proceedings brought by clients who signed share leasing agreements. Over the years, DNL has closed ongoing legal proceedings and disputes with most clients. At the end of 2020, several customers (about 10,000) were still opposing the compensation system resulting from the decisions of the Amsterdam Court of Appeal and the Supreme Court. However, DNL continues to attempt to reduce the number of outstanding claims by entering into out-of-court settlements and asking the courts to confirm that DNL has fulfilled its obligations to the affected customers. In 2019, the Supreme Court confirmed that DNL has a general interest in seeking such confirmation. Since 2019, DNL has intensified its out-of-court settlement efforts with its former customers and is actively seeking optimal solutions to take into account the specific features of each individual situation.
As stated in Dexia's previous annual reports, in 2009 the Dutch Supreme Court made a distinction between two categories of customers: those for whom the agree-ment in question represented an acceptable financial burden and those for whom the agreement represented an unduly heavy financial burden.
Other decisions of the Dutch Supreme Court and the Court of Appeal in Amsterdam clarified the manner in which these cases should be assessed in practice. When an intermediary was involved, the Supreme Court decided in 2016 that, meeting certain conditions, plaintiffs were authorised to apply for higher compensation. This principle was reconfirmed by the Dutch Supreme Court in 2018. The final outcome of the cases in question remains dependent on the ability of the plaintiffs to prove before the courts that certain due diligence obligations have not been fulfilled. Other cases, including as to the role of intermediaries , are still pending before the higher courts.
As stated in Dexia's previous annual reports, in 2008 the Dutch Supreme Court ruled that written consent is required from the lessee's spouse (or registered partner) when entering into a lease agreement. If such consent is not obtained, the spouse is authorised to cancel the agreement. Other rulings by the Supreme Court have specified that such cancellation must occur within three years following the signature of the agreement or the time when the spouse became aware of the existence of the said agreement, subject to any suspension applicable, and provided that an opt-out was introduced at the time of the collective settlement. Legal proceedings are still ongoing before the higher courts regarding certain technical elements of this category of files.
As at 31 December 2020, DNL was still involved in some 1,500 civil proceedings (the same number as at the end of 2019). They were mainly concerned with ques-tions of the duty of care. At the end of 2020, seven cases related to share leasing were still being considered by the Klachteninstituut Financiële Dienstverlening (KiFiD), the Dutch institution tasked with handling complaints concerning financial services (the same files as were pending end of 2019). They relate principally to duty of care questions.
At present, Dexia is unable reasonably to predict the duration and outcome of these proceedings, and their potential financial repercussions.

Dexia Crediop

Like other Italian banks, Dexia Crediop is involved in legal proceedings in Italy and in the UK regarding (i) hedging transactions (which required recourse to derivative instruments such as swaps) entered into in connection with debt restructuring and/or funding transactions with local authorities as well as (ii) other non-hedging type transactions.
As indicated in earlier annual reports, In 2017, the Court of Appeal in London issued a judgment in the Prato case by means of which the Court has confirmed (i) the validity of derivative contracts entered into by Dexia Crediop, (ii) that Prato had full capacity to enter into the derivative contracts and (iii) that the margin applied to the derivative contracts was necessary to cover its risks and expected costs. Prato was ordered, inter alia, to reimburse the legal costs of Dexia Crediop and to pay default interest on the unpaid amounts. The Supreme Court confirmed the decision of the Court of Appeal.
Following these decisions, in 2018 Dexia Crediop and Prato entered into an out-of-court settlement agreement. Since 2018, Dexia Crediop entered into other amica-ble 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 Crediop 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 abolish-ing the automatic conversion of this rate into the legal interest rate. This last amendment could have an impact on some of the ongoing proceedings.

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

Over recent years, Dexia has implemented its programme of disposal of operating entities.
As is customary in these types of transactions, the share sale agreements in relation to these disposals include declarations, warranties on the part of the vendor, subject to the usual restrictions and limitations for these types of transactions. Therefore, should a purchaser make a call on the warranty in connection with an issue affecting the entity sold, which originated prior to completion of the sale of the shares in that entity, Dexia may, under the terms of the sale agreement, be required to indemnify the purchaser.
These applications for compensation have been made in relation to certain disposals made by Dexia in the past, particularly within the context of the disposals of Banque Internationale à Luxembourg, DenizBank and Dexia Kommunalbank Deutschland. Dexia nonetheless contests the majority of these claims.
At present Dexia is unable reasonably to predict the duration or outcome of these applications, or their possible financial con-sequences.

4.5. Income Statement

4.5.1. OPERATING RESULT

Other operating income (EUR +9 million) includes the ser-vices provided by the teams of the holding to other entities of the group in the context of the steering mission of the departments to the new dimension of the Dexia Group (EUR +8.8 million). Also included in this item are the recovery of costs from Group companies (+0.2 million EUR) following purchasing contracts negotiated at the level of the holding company for the entire group.

The **non-recurring operating** income (EUR +0.8 million) includes the reversal of the balance (EUR +0.4 million) of the provision made in 2018 due to the can-cellation of a com-mercial contract as well as the assumption of debts overdue for more than 10 years (EUR +0.4 million)

Services and other goods amounting to EUR -12.5 million as at December 31, 2019 decreased to EUR -9.8 million at December 31, 2020. This significant reduction in costs is in part due to the Covid-19 pandemic which has raged since mid-March 2020. All travel had to be suspended and telewor-king was made 100% compulsory.
This item includes fees paid to consultants, experts, auditors, as well as compensations paid to the members of the Mana-gement Board and Board of Directors which remains stable at EUR -3.3 million in 2020 against EUR -3.2 million in 2019.
The insurance costs, which are related to the D&O responsi-bility of the directors and officers of Dexia, also cover the consequences of frauds for Dexia committed by its employees as well as third party victims of certain losses caused by Dexia (“BBB/PI”). These covers incurred again a reduced cost of EUR -0.4 million in 2019 to EUR -0.3 million in 2020 following the decrease in the number of subsidiaries of the group and the risk review.
Other operating costs (rental of buildings, telecommunica-tions, travel, trainings, etc.) were reduced to EUR -6 million in 2020 compared to EUR -8.3 million in 2019 due to Covid-19 but also to a reduction in IT infrastructure costs.

Costs associated with the Group transformation plan decreased and amounts to EUR -0.2 million in 2020, compared to EUR -0.6 million in 2019.

The **cost of remunerations and social charges** declines from EUR -8.9 million in 2019 to EUR -8.6 million in 2020 in line with the number of staff which decreases from 54.1 FTEs in 2019 to 52.4 FTEs in 2020.

Amortisation amounts to EUR -0.1 million and mainly concerns intangible assets.

Provisions for risks and charges are commented in the first paragraph of note “4.3.5. Provisions for other risks and charges“.

Other operating expenses (EUR -0.1 million) consist of the annual contribution paid to the Financial Services and Markets Authority (FSMA) and to the National Bank of Belgium as well as the property taxes.

The **non-recurring operational costs** (EUR -0.4 million) (see note 4.20.) includes in the subsection “provisions for exceptional risk and charges“ the utilization of the provision corresponding to severance costs provided for following the announcement of the resolution plan in October 2011(EUR +0.6 million).

The subsection “other non-recurring operational expenses“ (EUR -1 million) includes termination benefits and similar expenses essentially related to the resolution plan of the group (EUR -0.7 million), as well as the expenses incurred following the sale of the participations held and in the framework of the strategic analysis on the evolution of the Group (EUR -0.3 million).

4.5.2. FINANCIAL RESULT

Income from current assets (EUR +0.2 million) include the interests generated by deferred taxes advances (EUR +0.2 million).

Other financial charges (EUR -3.3 million) include a negative interest expense arising from short-term investments made at the Federal Debt Agency (EUR -3.2 million) and other costs (EUR -0.1 million) related to the quotation of the Dexia share, the management fees for the securities and storage costs.

Non-recurring financial charges (EUR -0.1 million) are linked to the write-off of Dexia shares of Euronext Brussels.

4.5.3. CORPORATE INCOME TAX

Adjustments of income taxes and reversals of fiscal provisions are related to tax revenues which originate from the fact that the permanent establishment in Paris is the group head of the tax consolidation group in France, generating an economic tax saving representing a gain of EUR +0.6 million for the year 2020.

4.5.4. LOSS FOR THE FINANCIAL YEAR

Considering the above, the 2020 financial year closed with a loss of EUR -11.8 million.

4.6. Other informations

4.6.1. 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 out-source 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 out-sourced 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.

4.6.2. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE, NOT INCLUDED IN THE BALANCE SHEET OR THE INCOME STATEMENT.

Extension of the liquidity guarantee

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 sup-port 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.

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

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4.7. Statement of intangible fixed assets (licences)

(in EUR)	Amounts
ACQUISITION VALUE AS AT 31/12/19	650,139
Movements during the period:	
- Acquisitions, including produced fixed assets	12,100
ACQUISITION VALUE AS AT 31/12/20	662,239
DEPRECIATION AS AT 31/12/19	587,178
Movements during the period:	
- Recorded	44,610
DEPRECIATION AS AT 31/12/20	631,788
NET BOOK VALUE AS AT 31/12/20	30,451

4.8. Statement of tangible fixed assets

(in EUR)	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
ACQUISITION VALUE AS AT 31/12/19	288,348	1,749,483	1,217,401
Movements during the period:			
- Acquisitions		1 370	
ACQUISITION VALUE AS AT 31/12/20	288,348	1,750,853	1,217,401
DEPRECIATION AS AT 31/12/19	284,158	1,689,219	1,209,315
Movements during the period:			
- Recorded	1,492	17,974	4,822
DEPRECIATION AS AT 31/12/20	285,650	1,707,193	1,214,137
NET BOOK VALUE AS AT 31/12/20	2,698	43,660	3,264

4.9. Statement of financial fixed assets

1. PARTICIPATING INTERESTS AND SHARES

(in EUR)	1. Affiliated	2. Other enterprises
ACQUISITION VALUE AS AT 31/12/19	17,296,965,606	0
Movements during the period:	-	-
ACQUISITION VALUE AS AT 31/12/20	17,296,965,606	0
DEPRECIATION AS AT 31/12/19	17,203,824,217	0
Movements during the period:	-	-
AMOUNTS WRITTEN DOWN AS AT 31/12/20	17,203,824,217	0
NET BOOK VALUE AS AT 31/12/20	93,141,389	0

2. AMOUNTS RECEIVABLE (IN EUR)

(in EUR)	1. Affiliated	2. Other enterprises
NET BOOK VALUE AS AT 31/12/19	0	1,550
Movements during the period:		
- Reimbursement	0	(1,500)
NET BOOK VALUE AS AT 31/12/20	0	50
ACCUMULATED WRITING-OFF'S ON RECEIVABLES AS AT 31/12/20	0	0

4.10. Share in the capital and other rights in other companies

List of enterprises in which the enterprise holds a participating interest, and other enterprises in which the enterprise holds rights in the amount of at least 10% of the capital issued.

Name, full address of the registered office and for the enterprise governed by Belgian law, the company number	Shares held by			Information from the most recent period for which annual accounts are available			
	The enterprise (directly)		Subsidiaries	Primary financial statement	Monetary unit	Capital and reserve	Net result
	Number	%	%			(+) or (-) (in monetary unit)	
Dexia Crédit Local SA - FC (1) 1, passerelle des Reflets, Tour CBX - La Défense 2 F-92919 Paris Common shares	279,213,332	100.00	0.00	31/12/2019	EUR	3,662,537,529	393,202,645
Dexia Nederland BV - FC (1) Parnassusweg 819 NL-1082 LZ Amsterdam Common shares	50,000	100.00	0.00	31/12/2019	EUR	127,954,000	(12,619,000)
Dexiarail SA - FC (1) 1, passerelle des Reflets, Tour CBX - La Défense 2 F-92919 Paris Common shares	9,166	100.00	0.00	31/12/2019	EUR	95,186	(4,190)

(1) FC: Foreign Company

4.11. Investments : other investments and deposits

(in EUR)	Previous period	Period
Fixed income	0	
Fixed term deposits with credit institutions	0	
OTHER CASH INVESTMENTS	633,677,126	622,486,420

4.12. Deferred charges and accrued income (assets)

(in EUR)	Period
Deferred charges : Services and other goods	1,275,778
Accrued income: Interest	45,630

4.13. Statement of capital and shareholder's structure

A. ISSUED CAPITAL

	Amount (in EUR)	Number of shares
ISSUED CAPITAL AS AT 31/12/19	500,000,000	420,134,302
Changes during the period:	0	0
ISSUED CAPITAL AS AT 31/12/20	500,000,000	420,134,302

B. STRUCTURE OF THE CAPITAL

	Amount (in EUR)	Number of shares
Different categories of shares		
Shares without indication of nominal value, each representing 1/420,134,302th of the issued capital	500,000,000	420,134,302
- Registered shares		420,134,302
- Dematerialized shares		0

C. OWN SHARES HELD BY:

	Amount of capital (in EUR)	Number of shares
- the company itself	0	0
- its direct subsidiaries	133	112

D. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED

	Amount (in EUR)
	500,000,000

E. NON REPRESENTATIVES UNITS OF CAPITAL

	Period (in EUR)
Ventilation	
- Number of shares	28,947,368
- Number of votes attached to it	0
Breakdown by shareholder	
- Number of shares held by the company itself	0
- Number of shares held by its subsidiaries	0

F. SHAREHOLDER STRUCTURE TO THE ENTRERPRISE AS AT THE ANNUAL CLOSURE THE ENTERPRISE

As it appears from the notifications received by the company in accordance with the law of 2 May 2007 related to the publication of important shareholdings and the Royal Decree of 21 August 2008 fixing detailed rules concerning certain multilateral trading facilities.

Name of persons holding social rights in the company with mention of the address of the registered office for legal persons and, for companies incorporated under Belgian law, mention of the company number	Social rights held			
	Nature	Number of voting rights		%
		Attached to shares	Not attached to shares	
Société Fédérale de Participations et d' Investissement (SFPI) Avenue Louise 32, boîte 4 1050 Bruxelles - Belgique Company number : 0253.445.063	Actions	221,749,916	0	52.78
Société de Prise des Participations de l'Etat Rue de Bercy 139 75572 Paris Cedex 12 - France Foreign Company	Actions	196,658,798	0	46.81

4.14. Provisions for liabilities and charges

(in EUR)	Period
Provision for guarantees related to the sale of participations	37,500,000
Severance payments and related costs	13,036,882
Commitment as head of a fiscal consolidation (France)	1,910,617

4.15. Statements of accounts payable

Analysis of debts with an original maturity of more than one year (in EUR)	**Amounts payable after more than 5 years**
Financial debts	**39,788,000**
Subordinated loans	39,788,000

4.16. Amounts payable for taxes, remuneration and social security

(in EUR)	Period
Taxes	
a) Expired taxes payable	0
b) Non-expired taxes payable	153,269
c) Estimated taxes payable	7,837
Remuneration and social security	
a) Amounts due to the National Office of Social Security	0
b) Other amounts payable relating to remuneration and social security	1,895,511

4.17. Accrued charges and deffered income (liabilities)

(in EUR)	Period
Accrued charges : rent	55,011
Accrued charges : taxes and rental charges	53,757
Accrued charges: insurance and car rental	22,501
Accrued income : recuperation of the database costs	82,665

4.18. Operating results

(in EUR)	Previous period	Period
OPERATING INCOME		
Other operating income		
The total amount of operational subsidies and compensatory amounts obtained from public authorities	2,958	171
OPERATING CHARGES		
Employees for which the enterprise has declared a DIMONA-statement or employees recorded in a general personnel register in Belgium		
a) Total number at the closing date	60	56
b) Average number of employees in full-time equivalents	54.1	52.4
c) Number of actual working hours	75,149	75,122
Personnel charges		
a) Remuneration and direct social benefits	6,539,665	6,351,003
b) Employers' contribution for social security	1,663,997	1,640,273
c) Employers' premium for extra statutory insurance	589,203	470,166
d) Other personnel charges	70,925	160,142
e) Old-age and widow's pensions	7,391	7,575
Provisions for liabilities and charges		
Increases	150,840	150,838
Other operating charges		
Taxes related to operations	73,912	42,137
Other charges	133,160	10,387

4.19. Financial results

(in EUR)	Previous period	Period
RECURRING FINANCIAL INCOME		
Ventilation of the other financial income		
Exchange differences	0	0
Gain at refund of fixed-income securities	445,728	445,728
Capital gain on sales of fixed income securities	6,878,787	6,878,787
Différences de change	0	3,349
RECURRING FINANCIAL CHARGES		
Ventilation of the other financial charges		
Exchange differences	5,220	0
Charges related to the quotation of the Dexia share	26,862	20,850
Storage costs	29,040	36,300
Negative interests	1,603,951	3,191,962
Other financial charges	13,278	11,170

4.20. Income and expenses of exceptional size or exceptional degree of occurance

(in EUR)	Previous period	Period
NON-RECURRING INCOME	**4,673,395**	**800,000**
Non-recurring operating income	456,343	800,000
Write back of provisions for exceptional operational risks and charges	429,930	400,000
Other non-recurring operating income	26,413	400,000
Non-recurring financial income	4,217,052	0
Write back of provisions for exceptional financial risks and charges	4,000,000	0
Capital gains on financial fixed assets	217,052	0
NON-RECURRING CHARGES	**2,252,717,067**	**451,459**
Non-recurring operational charges	1,967,416	355,887
Provisions for exceptional operating risks and charges: increase(+) / decrease (-)	(875,404)	(642,033)
Other non-recurring operational charges	2,842,820	997,920
Non-recurring financial charges	2,250,749,651	95,572
Impairment on financial fixed assets	2,249,999,960	
Other non-recurring financial charges	749,691	95,572

4.21. Income taxes

(in EUR)	Period
Income taxes of the current period:	**7,000**
a) Taxes and withholding taxes due or paid	7,000
Principal sources of differences between the profit before taxes, mentionned in the accounts, and the estimated taxable profit	
a) Fiscal integration in France (PM)	1
b) Addition (+)/Write back (-) of non-deductible provisions	(1,010,257)
c) Exempted income	386,273
Impact of the exceptional results on the taxes on the result of the year	
Are not taxable : the impairment of provisions (EUR -1,042,033) and also the other expenses (EUR +99,864)	942,169
Status of deferred taxes:	
Deferred taxes representing assets	4,916,846,224
Accumulated tax losses deductible from future taxable profits	4,733,323,829
Other deferred taxes representing assets	
- Surplus on depreciations	91,848
- Surplus of revenues definitively taxed	183,430,547

4.22. TValue added tax and taxes borne by third parties

(in EUR)	Previous period	Period
Total amount of value added tax charged during the period :		
1. To the enterprise (deductible)	38,663	38,024
2. By the enterprise	43	0
Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	2,230,042	2,283,760
2. Withholding taxes on investment income	0	0

4.23. Rights and commitments not reflected in the balance sheet

(in EUR)	Period
Guarantees given or irrevocably promised by the enterprise on its own assets collateral for own debts and liabilities of the company	
Gages sur d'autres actifs ou mandats irrévocables de mise en gage d'autres actifs	
1. Pledging of other assets - Book value of assets pledged	308,889
2. Maximum amount for which the debt is guaranteed	302,973

Amount, nature and form of the litigations and other off-balance commitments given
See note 4.4.9.

If there is a supplementary retirement or survivor's pension plan in favour of the personnel or the executives of the enterprise, a brief description of such plan and of the measures taken by the enterprise to cover the resulting charges.
Members of staff benefit from a supplementary retirement and survival pension scheme at an external group insurance. Those premiums are both patronal as personal. Dexia also finances an additional pension regime for the benefit of some members of the Management Board. (See note "Remuneration of the members of the Management Board" in the section "Declaration of corporate governance" of the management report).

Nature and financial impact of significant events after the balance sheet date, not taken into account in the balance sheet or income statement.
See note 4.6.2.

5. Relationships

5.1. RELATIONSHIPS WITH AFFILIATED ENTERPRISES

	Affiliated enterprises	
(in EUR)	Previous period	Period
FINANCIAL FIXED ASSETS	**93,141,389**	**93,141,389**
Participations	93,141,389	93,141,389
AMOUNTS RECEIVABLE	**88,633,780**	**88,660,383**
After one year	87,473,705	87,897,366
Within one year	1,160,075	763,017
AMOUNTS PAYABLE	**55,927**	**1,810,159**
Within one year	55,927	1,810,159
FINANCIAL RESULTS		
Income from current assets	219,178	215,987
Other financial charges	265,300	0

5.2. Transactions with related parties outside of normal market conditions

Nihil.

5.3. Relationships with directors and managers, individuals or bodies corporate who control the enteprise without being associated therewith or other enterprises controlled by the mentioned persons without being associated therewith

Amount of direct and indirect remuneration and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

To the directors	1,199,853
To the former directors	0

5.4. Relationships with affiliated auditors

Remuneration of the Statutory Auditor	409,590

6. Declaration concerning the consolidated accounts

The enterprise has established and published the consolidated accounts and a consilidated financial statement.

7. Social report

Number of the joint commission of the company: 200

7.1. Statement of the persons employed in 2020

A. EMPLOYEES FOR WHICH THE ENTERPRISE HAS DECLARED A DIMONA-STATEMENT OR EMPLOYEES RECORDED IN THE GENERAL STAFF REGISTER

1. During the period	Total	1. Male	2. Female
a. Average number of employees			
full-time	45.8	26.8	19.0
part-time	11.8	9.8	2.0
TOTAL FULL-TIME EQUIVALENTS (FTE)	**52.4**	**31.6**	**20.8**
b. Number of actual working hours			
full-time	64,653	37,713	26,940
part-time	10,469	7,850	2,619
TOTAL	**75,122**	**45,563**	**29,559**
c. Personnel charges			
full-time	7,330,011	4,826,724	2,503,287
part-time	1,291,573	1,018,650	272,923
TOTAL	**8,621,584**	**5,845,374**	**2,776,210**

2. During the previous year	P. Total	1P. Male	2P. Female
Average number of employees in FTE	54.1	34.4	19.7
Number of actual working hours	75,149	49,316	25,833
Personnel charges	8,863,790	6,143,728	2,720,062

3. As at the closing date of the period	Full-time	Part-time	Total of full-time equivalents
a. Number of employees recorded in the personnel register	46	10	51.5
b. By nature of the employment contract			
Contract of indefinite period	46	10	51.5
c. According to gender and by level of education			
Male	27	8	30.9
secondary education	3	0	3.0
higher non-university education	3	1	3.5
university education	21	7	24.4
Female	19	2	20.6
secondary education	2.0	0	2.0
higher non-university education	4.0	0	4.0
university education	13	2	14.6
d. By professional category			
Management staff	10	-	10.0
Employees	36	10	41.5

7.2. Table of personnel movements during the period

A. ENTRIES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise has declared a DIMONA-statement or employees recorded in the general staff register in Belgium during the period	11		11
b. By nature of the employment contract			
Contract for an indefinite period	5		5
Contract for an definite period	6		6

B. DEPARTURES

	Full-time	Part-time	Total of full-time equivalents
a. Number of employees for which the enterprise declared a DIMONA-statement or number of employees with a in the in Belgium general staff register listed date of termination of the contract during the period			
b. By nature of the employment contract	13	3	13.7
Contract for an indefinite period	7	3	7.7
Contract for an definite period	6	-	6.0
c. According to the reason for termination of the employment contract		-	
Pension	0	1	0.5
Dismissal	1	0	1.0
Other reason	12	2	12.2
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	-	-	-

7.3. Information on training provided during the financial year to employees recorded on the staff register

Total of formal continuing vocational training initiatives for workers paid by the employer	Male	Female
Number of employees involved	10	12
Number of training hours	120	146
Net costs for the enterprise (in EUR)	40,709	30,975
- whereof gross costs directly associated with the company (in EUR)	24,148	17,310
- of which contributions and payments to collective funds	16,561	13,665
Total of less formal and informal continuing vocational training initiatives for workers paid by the employer		
Number of employees involved	1	2
Number of training hours	1	34
Net costs for the enterprise (in EUR)	138	3,398

8. Compensation Report

For companies in which the governement or one or more legal persons exercise control (Article 100 §1.6°/3 of the Company Code).
See the management report.

Report of the board of auditors to the shareholders' meeting of Dexia SA for the year ended 31 December 2020 - Annual accounts

In the context of the statutory audit of the annual accounts of Dexia SA (the "company"), we hereby submit our statutory audit report of the board of auditors. This report includes our report on the annual accounts and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 20 mai 2020, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee and presentation of the works council. Our mandate will expire on the date of the shareholders' meeting deliberating on the annual accounts for the year ending 31 December 2022. Deloitte Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the annual accounts of Dexia SA for 13 consecutive periods. Mazars Réviseurs d'Entreprises / Bedrijfsrevisoren has audited the annual accounts of Dexia SA for 4 consecutive periods.

Report on the annual accounts

Unqualified opinion

We have audited the annual accounts of the company, which comprises the balance sheet as at 31 December 2020 and the income statement for the year then ended, as well as the explanatory notes. The annual accounts show total assets of 820 992 (000) EUR and the income statement shows a loss for the year ended of 11 798 (000) EUR.

In our opinion, the annual accounts give a true and fair view of the company's net equity and financial position as of 31 December 2020 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the board of auditors for the audit of the annual accounts" section of our report. We have complied with all ethical requirements relevant to the statutory audit of the annual accounts in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 1 - The ability to continue as a going concern used for the preparation of the consolidated financial statements *(We refer to appendix C-cap 6.20 of the annual accounts)*	
The Group's ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on 28 December 2012. This plan, further reassessed by the Board of Directors of Dexia of 14 December 2020, is based, among others, on the following assumptions: • the macro-economic assumptions underlying the business plan are revised as part of the biannual reviews of the orderly resolution plan, which also include a review of the latest observable market data and a review of the latest accounting standards and regulatory developments. In its latest update, the business plan incorporates a basis macro-economic scenario, based on the ECB reference scenario published on 4 June 2020, and incorporates observable market data as at 30 June 2020; • the business plan assumes the preservation of the banking license of Dexia Credit Local and of the credit rating of Dexia Credit Local; • the continuation of the resolution plan assumes that Dexia Group maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian, French and Luxembourg States as well as on the Group's capacity to raise secured borrowings; • the renewal of the guarantee by the Belgian and French States, as from the 1st of January 2022, approved by the European Commission on 27 September 2019. A law approving the renewal of the guarantee was voted in France on 29 December 2020 and a draft of law, approved by the 'Conseil des Ministres', was submitted to the Belgian Federal Parliament for approval; • finally, the Group is sensitive to the evolution of its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads. An unfavourable evolution, for a long period, of these parameters may impact the liquidity and solvability levels of the Group. It might also impact the valuation of the assets, liabilities and OTC derivatives, for which the changes in fair value are recognized in the statement of income or in equity, which may trigger a change in the capital requirement of the Group. 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 worldwide spread of the Covid-19 coronavirus, as mentioned in the note C-cap 6.20 to the consolidated financial statements.	We have examined the latest assessment made by the Executive Committee and the Board of Directors of the Dexia Group of the Group's ability to continue as a going concern over a period of twelve months starting at the closing date of the financial year, as prescribed by IAS 1 – "Presentation of Financial Statements", as well as the elements used to justify the assessment and the underlying documentation: We have applied, amongst other, the following diligences prescribed by IAS 570 "Going Concern": • through discussion with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia; • we have assessed the design and implementation of internal control processes used in the preparation of the liquidity projections; • we have considered the main regulatory ratios as of 31 December 2020 (Liquidity Coverage Ratio, Common Equity Tier 1) in light of the requirements applicable at that date to the Dexia Group; • we have inquired with the Executive Committee and Board of Directors about the latest underlying assumptions to the revised business plan, based on end of June 2020 data and approved by the Board of Directors on 14 December 2020; • we have considered the quarterly reports on the funding strategy and operational continuity, prepared by Dexia as requested by the supervisory authorites and correspondence with these authorities; • concerning the health crisis related to the Covid-19 coronavirus, we have taken note of Management's assessment on its effects on the continuity of Dexia Group. Finally, we have examined the compliance with the legal and regulatory requirements of the information related to the going concern in the notes of the consolidated financial statements, including the uncertainties surrounding the preparation of the consolidated financial statements on a going concern basis.

There are still uncertainties, as of today, regarding the realization of the business plan supporting the continuity of the Group's operations over the duration of the resolution including: • the conditions to access the Eurosystem financing facilities after 2021; • the existence of new accounting or prudential rules not known to date by the Management of Dexia Group; • the long-term organizational and legal structure of the Dexia Group; However, at this stage, for the Management of the Group, these uncertainties do not call into question the fundamentals of the resolution, which justifies the preparation of the consolidated financial statements on a going concern basis, in accordance with IAS 1. Considering all of the elements presented above, we consider the assessment of the application of the going concern assumption as a key audit matter.	

Key audit matters	**How our audit addressed the key audit matters**
Description key audit matter 2 – Identification and evaluation of the provisions for legal risk related to litigations *(We refer to appendices C-cap 6.8, C-cap 6.20 and C-cap 7 of the annual accounts)*	
In the context of its activities, Dexia SA is involved in a certain number of legal risks and litigations. The consequences, as assessed by the company based on the available information at closing date, of the main litigations, including those related to the 'share leasing' activities in the Netherlands and the investigations with a potential significant outlook on the financial situation, the results or the assets of the company, are reflected in the annual accounts. The recording of a provision or contingent liability in order to cover the legal risk requires by nature the use of professional judgment due to the difficulty to estimate the outcome of litigations that may arise. Due to the nature of the current procedures against the Company and given the estimated character of the provisions, we consider the legal risk and litigations as a key audit matter.	We have assessed the adequacy of the internal control system and tested the operating effectiveness of key controls related to the process of determining the provisions for litigation. These controls mainly concern the identification of the files to be provisioned based on the motives of the dispute and the determination of the amount of the provisions estimated using the methodologies retained by the company. • we have conducted discussions with the management and more specifically the company's legal department; • we have examined the motives for the current disputes and have assessed the adequacy of the existence of provisions based on the company's assumptions; • we have assessed the principles and assumptions used by the company to estimate the amount of provisions for litigations; • we have inquired with the law firms with which Dexia is working to obtain and review the assessment made by these lawyers on the status of the litigations. Finally, we have examined the information in the appendices of the annual accounts for provisions.

Key audit matters	How our audit addressed the key audit matters
Description key audit matter 3 – Valuation of participating interests *(We refer to appendices C-cap 6.4.1, C-cap 6.5.1, C-cap 6.17, C-cap 6.19 and C-cap 6.20 of the annual accounts)*	
Participating interests, shown in the balance sheet at 31 December 2020 for a net amount of 93 million EUR. These interests are recognized at their acquisition cost and depreciated in the event of a permanent depreciation or impairment. Permanent depreciation or impairment is estimated by the Board of Directors based on the equity value at the end of the financial year of the entities concerned, their level of profitability and their profit forecasts. The estimation of the value of these securities requires the exercise of judgment by the Board of Directors in its choice of items to be considered, that may correspond to provisional elements. In this context, and because of the uncertainties inherent in certain elements and in particular the probability of the forecasts being met, we considered that the valuation of the participating interests was a key audit matter.	In assessing the reasonableness of the valuation of the participating interests, based on the information provided to us, our work consisted mainly in verifying that the estimation of these values determined by the Board of Directors is based on an appropriate justification of the evaluation method and the quantified elements used and to: • obtain cash flow and operating forecasts and assess consistency with the forecast data from the last strategic plan; • check the consistency of the assumptions used at the closing date of the annual accounts; • compare the forecasts retained for previous periods with the corresponding achievements to assess the achievement of past objectives. Finally, we have assessed the compliance with the legal and regulatory requirements of the available information on the financial assets presented in the notes to annual accounts.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of the annual accounts in accordance with the financial reporting framework applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the board of auditors for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the board of auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.
During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of annual accounts in Belgium. The scope of the audit does not comprise any assurance regarding the

future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted. Our responsibilities regarding the application by the Board of Directors of the going concern basis of accounting are described below.
As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
• identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
• conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the board of auditors to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the board of auditors. However, future events or conditions may cause the company to cease to continue as a going concern;
• evaluate the overall presentation, structure and content of the annual accounts, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, for the documents to be filed according to the legal and regulatory requirements, for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium, as well as for the company's compliance with the Code of companies and associations and the company's articles of association.

Responsibilities of the board of auditors

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the annual accounts, the statement of non-financial information attached to the directors' report on the annual accounts and other matters disclosed in the annual report, those documents to be filed according to the legal and regulatory requirements and compliance with certain obligations referred to in the Companies Code, the Code of companies and associations and the articles of association, as well as to report on these matters.

Aspects regarding the directors' report and other information disclosed in the annual report

In our opinion, after performing the specific procedures on the directors' report on the annual accounts, the directors' report on the annual accounts is consistent with the annual accounts for that same year and has been established in accordance with the requirements of articles 3:5 and 3:6 of the Code of companies and associations.

In the context of our statutory audit of the annual accounts we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the annual accounts is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

The non-financial information as required by article 3:6, § 4 of the Code of companies and associations has been disclosed in the directors' report under section "Non-financial declaration – Corporate social responsibility" that is part of the annual report. This non-financial information has been established by Dexia SA in accordance with the law of 3 September 2017 related to the publication of non-financial information and information on diversity by large corporates and groups, which transposes Directive 2014/95/EU. In accordance with article 3:75, § 1, 6° of the Code of companies and associations, we do however not express any opinion on the question whether this non-financial information has been established in accordance with the provisions of the above-mentioned law.

Statement on the social balance sheet

The social balance sheet, to be filed at the National Bank of Belgium in accordance with article 3:12, § 1, 8° of the Code of companies and associations, includes, both in form and in substance, all of the information required by this Code, including those relating to wages and training, and is free from any material inconsistencies with the information available to us in the context of our mission.

Statements regarding independence

• Our audit firms and our networks have not performed any prohibited services and our audit firms have remained independent from the company during the performance of our mandate.

Other statements

• Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
• We do not have to report any transactions undertaken or decisions taken which may be in violation of the company's articles of association or the Code of companies and associations.
• This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) N° 537/2014.

The appropriation of results proposed to the general meeting is in accordance with the relevant legal and regulatory requirements.

Signed at Zaventem and Brussels
The board of auditors

Deloitte Bedrijfsrevisoren/
Réviseurs d'Entreprises BV/SRL
Represented by Franky Wevers

Mazars Bedrijfsrevisoren/
Réviseurs d'Entreprises CVBA/SCRL
Represented by Xavier Doyen

Additional information

Certificate from the responsible person

I the undersigned, Pierre Crevits, Chief Executive Officer and Chairman of the Management Board of Dexia, certify that to the best of my knowledge:

a) the financial statements, established in accordance with applicable accounting standards, present a true and fair view of the assets, the financial situation and the earnings of the company and of all the companies included in the consolidation;

b) the management report contains a true and fair view of changes in the revenues, earnings and financial position of the company and of all the companies included in the scope of consolidation and a description of the main risks and uncertainties to which they are exposed.

Brussels, 6 April 2021

For the Management Board

Pierre Crevits
Chief Execrutive Officer and Chairman of the Management Board
Dexia

General data

Name

The company is called “Dexia”.

Registered Office

The registered office of the company is in Belgium at Place du Champ de Mars, 5, 1050 Brussels (RPM Brussels VAT BE 0458.548.296).

Legal form, incorporation, duration

The company is a limited company under Belgian law that makes a public appeal for investment. It was incorporated on 15 July 1996 for an indefinite period. The company has one permanent office located in Paris.

Corporate object

Article 3 of the articles of association reads as follows:

“The company has the object, both in Belgium and in other countries of:

1. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;

2. the acquisition, holding, management and sale, by whatever means, of all equity interests in companies or any other legal entities, whatever their legal form, existing or to be created, which operate as credit institutions, insurance or reinsurance companies or which carry on financial, industrial, commercial or civil, administrative or technical activities, as well as all types of shares, bonds, public funds and any other financial instruments of whatever nature;

3. the conducting of all movable property, real property, financial, industrial, commercial or civil transactions including the acquisition, management, leasing and sale of all movable and real property, related directly or indirectly to the realization of its corporate object or likely to contribute to such realisation.”

Places where the public may consult documents

The articles of association of the company are available at the office of the Clerk to the Commercial Court of Brus-sels and at the company’s registered office. The annual reports as well as the annual financial statements and the consolidated financial statements are lodged with the National Bank of Belgium. These documents may also be obtained from the company’s registered office. Decisions in relation to ap-pointments and resignations of members of the Board of Directors are published in the Appendix to the Belgian Official Journal. Financial notices concerning the company are published on its website (www.dexia.com). The convo-cations to Shareholders’ Meetings are published on the website and in the financial newspapers, the daily press and periodicals.

Dexia's annual report 2020 has been published by the Group's Communication department.
This report is also available in Dutch and French.
In case of discrepancy between the English, the French and the Dutch versions of the Annual Report, the text of the French version shall prevail.
Due to environmental and cost concerns, Dexia decided not to print its annual report. It can be downloaded on www.dexia.com.

Dexia
Place du Champ de Mars, 5
B-1050 Brussels
IBAN BE61-0682-1136-2017
BIC GKCC BE BB
RPM Brussels VAT BE 0458.548.296

In Paris
1, passerelle des Reflets
Tour CBX
F-92913 La Défense Cedex

CONTACTS

Press department
E-mail: pressdexia@dexia.com
Phone Brussels: + 32 2 213 57 39
Phone Paris: + 33 1 58 58 58 49

Investor Relations
E-mail: investor.relations@dexia.com
Phone Brussels: + 32 2 213 57 66
+ 32 2 213 57 39
Phone Paris: + 33 1 58 58 58 53
+ 33 1 58 58 58 49

Site Internet
www.dexia.com

FINANCIAL CALENDAR

Shareholders' meeting for the year 2020
19 May 2021

Results as at 30 June 2021
8 September 2021