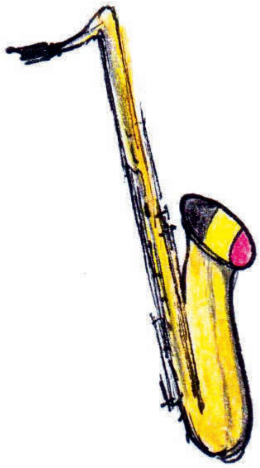
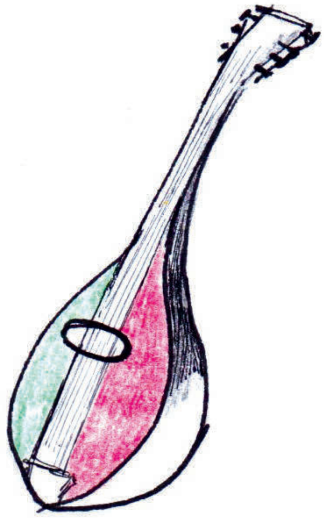
2021

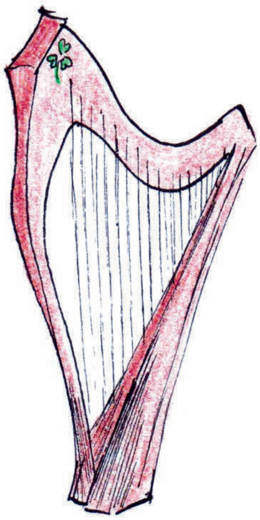


2021

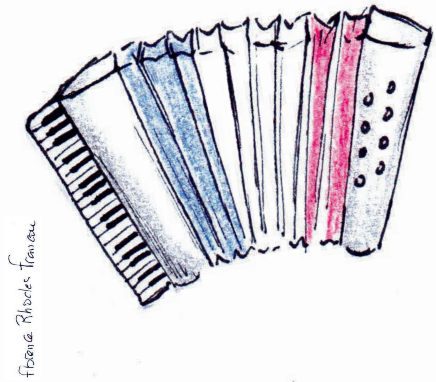


ANNUAL REPORT

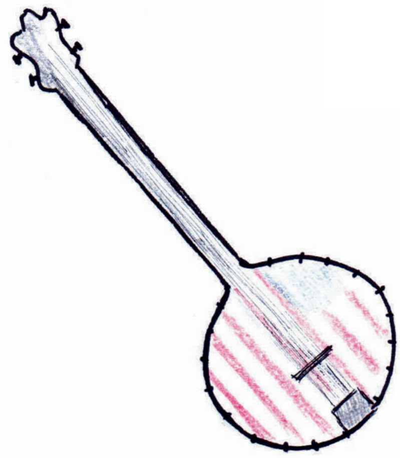
2021



2021



DEXIA CRÉDIT LOCAL DCL



Annual report 2021

This annual report is a translation of the official version of the annual report included in the Universal Registration Document (in ESEF format) which was prepared in French and is available on the Dexia website.

Management report

Message from the Chairmen

The year 2021 saw the world continue to struggle with the economic, social and health consequences of the Covid-19 pandemic, a crisis of unprecedented proportions. Wearing masks, distancing measures and occasional periods of total teleworking were then an integral part of our daily routine.

Against this very particular background, our Group has once again demonstrated its resilience and agility, two qualities used to simplify and reduce its balance sheet. It is noteworthy that the balance sheet has fallen below the EUR 100 billion threshold for the first time. In a market environment which remained favourable thanks to central bank interventions, we actively pursued our asset disposal programme. Our concentration risk has also been reduced through the sale of assets on the Republic of Italy and the State of Illinois. Consequently, as at 31 December 2021, 95% of the portfolio reduction target of the 2019-2022 plan had been achieved.

On the liquidity front, the strategies of diversifying funding sources, in terms both of instruments and currencies, and of maintaining a comfortable liquidity reserve, have once again proved to be pertinent. They have also allowed Dexia Crédit Local a certain flexibility in the execution of its annual issuance programme and have increased its resilience to possible liquidity stress, within the context of the end of access to European Central Bank funding on 31 December 2021.

In terms of solvency, Dexia Crédit Local continues to have a robust Total Capital ratio of 27.6% as at 31 December 2021, well above the minimum 11.25% required for the year 2021 under the Supervisory Review and Evaluation Process (SREP).

Another step along the path of the Group's resolution was the simplification of the international network, with the finalisation of the transfer of a large portfolio of assets from our Italian subsidiary Dexia Crediop to our headquarters, and the start of the restructuring of our remaining US entities.

During the past year, we also continued our strategic reflection, within the Management Board and the Board of Directors, aimed at defining the shape of the Group for the years to come, based on in-depth work carried out by teams from the Group's various activity lines and in close consultation with the two State shareholders.

With one crisis after another, the year 2022 started in a tense geopolitical context, and the invasion of a sovereign state in the middle of Europe can only augur difficult times. Dexia Crédit Local has no direct exposure to Ukraine and Russia and its funding model allows it to cope with stressed market conditions. The instability caused by the conflict is, however, a source of uncertainty which is disrupting the markets and could hamper the smooth implementation of the asset sale plan, the execution window for which has been extended to the end of 2023.

Nevertheless, we are determined to pursue our objective of an orderly resolution of Dexia, with the constant support of our State shareholders and the Board of Directors. The Group's staff members are active and mobilised, demonstrating on a daily basis their ability to embody the four values of our leadership model: to be agile, to cultivate trust, to foster cohesion and to commit to the general interest. We are pleased to be able to count on their commitment, for which we thank them.

Pierre Crevits
Chief Executive Officer

Gilles Denoyel
Chairman of the Board of Directors

Dexia Crédit Local Group Profile

A Group in orderly resolution

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

The Dexia Crédit Local Group has 481 members of staff as at 31 December 2021.

The Group's parent company, Dexia, is a public limited company (société anonyme) and financial company governed by Belgian law. The Belgian and French States own 99.6% of the Group[2]. Since 1 July 2020, Dexia has been placed, as a Less Significant Institution (LSI) within the framework of the Single Supervisory Mechanism, under the supervision of the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR), as the consolidating supervisor, and the National Bank of Belgium (NBB).

Dexia and Dexia Crédit Local have been managed under an orderly resolution plan since the end of 2011. Approved by the European Commission in December 2012, Dexia's orderly resolution plan aims to avoid the Group's bankruptcy and liquidation which, given its residual size, could have been destabilising to the entire European banking sector. In order to enable the orderly resolution, the Belgian and French States granted a liquidity guarantee for a maximum principal amount of EUR 75 billion to Dexia Crédit Local, which is consequently the issuer of Dexia Group under the State guarantee format.

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

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

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

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

Simplified Group structure

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

French State
46.81 %

Institutional, individual and staff shareholders
0.41 %

Dexia

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

Management Board

Pierre Crevits
CEO

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

Patrick Renouvin
Executive Vice-President

- Operations and Information Systems

Giovanni Albanese
Executive Vice-President

- Risk

Véronique Hugues
Executive Vice-President

- Finance
- Communication

Benoît Debroise
Executive Vice-President

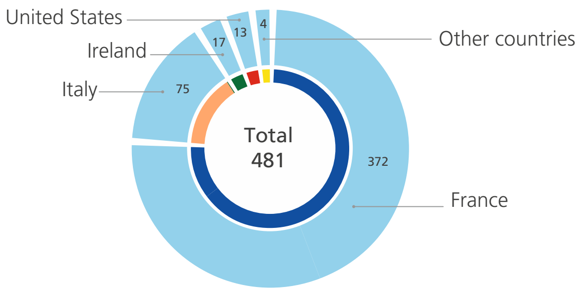
- Funding and Markets

Pascal Gilliard
Executive Vice-President

- Assets

Key figures

NUMBER OF STAFF MEMBERS AS AT 31 DECEMBER 2021



RESULTS (in EUR million)	2020	2021
Net banking income	**(174)**	**(76)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(289)	(257)
Gross operating income	(30)	(19)
Cost of credit risk	**(493)**	**(352)**
Net gains or losses on other assets	(169)	130
Pre-tax income	104	0
Income tax	**(558)**	**(222)**
Result from discontinued operations, net of tax	0	(55)
Net income	**(558)**	**(277)**
Minority interests	(1)	0
Net income Group share	**(557)**	**(277)**

BALANCE SHEET (in EUR billion)	31/12/2020	31/12/2021
Total assets	**113.5**	**97.8**
Total of the asset portfolio	40.9	35.6

SOLVENCY (in EUR million unless otherwise stated)	31/12/2020	31/12/2021
Common Equity Tier 1	5,807	5,489
Total Capital	5,863	5,545
Risk-weighted assets	23,692	20,115
Common Equity Tier 1 ratio	24.5%	27.3%
Total Capital ratio	24.7%	27.6%

RATINGS AS AT 31 DECEMBER 2021	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
Moody's - Counterparty Risk (CR)	*Baa3(cr)*		*P-3(cr)*
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA-	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+

Highlights

After a year strongly marked by the Covid-19 pandemic, the improvement of market conditions and the reduction of volatility initiated at the end of 2020, thanks to the historical support of central banks, continued in 2021.

In this more favourable environment, Dexia Crédit Local continued its asset disposal programme at a sustained pace and completed its annual long-term funding programme in July.

Combined with the reduction of portfolios, the rise in interest rates which began at the end of 2021 contributed to the significant reduction of the balance sheet, which fell below EUR 100 billion at the end of December 2021. The sharp reduction in Dexia Crédit Local's funding requirement has increased its resilience to potential liquidity stress within the context of the end of access to European Central Bank funding on 31 December 2021.

Dexia Crédit Local's net income in 2021 remained negative at EUR -277 million. However, Dexia Crédit Local continues to post robust solvency ratios, above the minimum of 11.25% required for the year 2021 by the Supervisory Review and Evaluation Process (SREP).

Progress on the Dexia Group's resolution

Simplification of the international network

Italy

In 2021, Dexia Crédit Local finalised the transfer to its headquarters in Paris and to its branch in Dublin of a portfolio of assets with a nominal value of EUR 3.2 billion, composed of loans, bonds and related hedging derivatives. These securities were transferred at their net book value in Dexia Crediop's accounts and not at their market value. The transfer of the portfolio had no tax impact in Italy and France but gave rise to a temporary difference between the tax value and the book value in Ireland, leading to a deferred tax liability of EUR -54 million, which was recognised in the first quarter of 2021 in the Dexia Crédit Local's consolidated financial statements.

Dexia Crédit Local also put in place a programme to transfer 25 interest rate swaps executed with Dexia Crediop clients, representing a total outstanding amount of EUR 1.8 billion. During the year, 11 swaps were transferred to Dexia Crédit Local. Transfers will continue in 2022, depending on the consents of the counterparties.

In addition, Dexia Crédit Local continued to improve the funding mix of its subsidiary.

United States

Since the successful transformation of Dexia Crédit Local's New York branch in November 2020, the Dexia Crédit Local'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 2021, the balance sheet of these entities amounted to EUR 2.6 billion. It is mainly composed of securities on the assets side, guaranteed investment contracts (GIC) and intra-group funding on the liabilities side.

Dexia Crédit Local has undertaken the restructuring of these entities, in particular with the disposal of the GIC portfolio to an institutional investor in the United States. The effort to obtain the consents of all third parties necessary to transfer this portfolio was initiated in the second half of 2021 and is expected to continue in the first half of 2022.

Continuing asset sales at a sustained pace

After the start of 2020 was severely disrupted by the Covid-19 pandemic, the almost generalised return to normal market conditions from September 2020 onwards allowed Dexia Crédit Local to pursue the asset disposal programme validated by the Dexia Board of Directors in July 2019, at a sustained pace. These favourable market conditions continued in 2021, in particular thanks to the intervention of central banks and the European budgetary support programmes.

Indeed, at the end of December 2021, asset portfolios were EUR 6.2 billion lower than at the end of December 2020, thanks to EUR 2.3 billion of natural amortisation and EUR 3.8 billion of disposals and early redemptions, of which EUR 2.4 billion of loans and EUR 1.4 billion of bonds.

During the year, 57% of the assets sold or prepaid were denominated in non-euro currencies (pound sterling, US dollar and Canadian dollar), which allowed Dexia Crédit Local to reduce its funding risk further, notably in its non-core currencies. The assets sold have an average life of approximately eight years.

Disposals and repayments were mainly concentrated on project and corporate finance (EUR 1 billion) and public sector assets (EUR 1.6 billion), in particular loans to French local authorities (378 loans sold or repaid for an outstanding amount of EUR 0.9 billion) and loans to players in the social housing sector in the United Kingdom (EUR 0.6 billion).

Furthermore, Dexia Crédit Local reduced its concentration risk by selling outstanding loans to the Republic of Italy (EUR 0.4 billion) and to the State of Illinois (EUR 0.3 billion).

In 2021, some 50 "complex" operations were subject to early repayment (revolving credits) or restructuring (credits indexed on structured indices), thus contributing to the further simplification of the commercial portfolio.

Since the implementation of the new asset disposal programme in July 2019, Dexia Crédit Local has achieved 95% of the portfolio volume reduction target set for the end of 2022.
Given the strong geopolitical uncertainties in the financial markets, the Board of Directors, meeting in December 2021, decided to extend the window for execution of this programme to the end of 2023.
The severe volatility linked to the conflict in Ukraine is slowing the pace of asset sales. Dexia Crédit Local has no direct exposure to Ukraine or Russia. It does however have an indirect exposure to the Croatian subsidiary of a Russian bank, via a deposit of an insignificant amount. Moreover, Dexia Crédit Local has no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

Proactive off-balance sheet management

In 2021, Dexia Crédit Local also continued to implement the programme to reduce its derivatives portfolio initiated in 2019, in order to simplify its operational management and to reduce its nominal amount by carrying out compression exercises. In addition, about thirty interest rate swap contracts executed with clients were unwound early, further simplifying commercial outstanding.

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

For several years, Dexia Crédit Local has been pursuing an active ALM risk management policy, aimed in particular at reducing the sensitivity of its balance sheet and its profitability trajectory to certain market parameters. This programme continued in 2021 with good momentum, under the guidance of the Asset and Liability Management Committee (ALCO), and enabled the sensitivity of the net interest margin to the most sensitive market parameters to be reduced materially, and thus the amplitude of potential stress on Dexia Crédit Local's solvency.

Extension of the State funding guarantee and changes in governance

Extension of the funding guarantee of Dexia Crédit Local by the Belgian and French States

Following the approval[1] by the European Commission of the extension of the Dexia Crédit Local funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States adopted the legal texts relating to this extension on 29 December 2020 and 27 June 2021 respectively[2]&[3].

(1) https://ec.europa.eu/commission/presscorner/detail/en/mex_19_5875
(2) Cf. Dexia Press Release dated 28 May 2021, available at www.dexia.com.
(3) Law 2020-1721 of 29 December 2020 on finance for 2021, published in the Official Journal on 30 December 2020 and Law of 27 June 2021 relating to various financial provisions, published in the Belgian Official Gazette on 9 July 2021.

To recall, the extended funding guarantee (2022 guarantee) retains most of its current features and therefore remains joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the guarantee scheme:

- The new guarantee ceiling is EUR 75 billion, of which EUR 72 billion to cover the Group's debt issues and EUR 3 billion for intraday interbank overdrafts in euros and foreign currencies.
- The Luxembourg State no longer participates in the guarantee mechanism. Its 3% quota is 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 extended guarantee came into force on 1 January 2022. The 2013 guarantee, although expiring on 31 December 2021, continues to produce its effects for all guaranteed bonds issued by Dexia Crédit Local until 31 December 2021 and this for a maximum maturity period of ten years since their issue date. As at 31 December 2021, Dexia Crédit Local's outstanding guaranteed debt amounted to EUR 48 billion.
The remuneration of the guarantor States pursuant to the 2022 guarantee comprises a basic remuneration and a conditional deferred commission. This particular remuneration structure allows the full implementation of the burden-sharing principle which underlies the orderly resolution of Dexia Crédit Local and which imposes a requirement that any improvement in the financial situation of Dexia Crédit Local benefits only the States as shareholders and guarantors.
The basic remuneration is 5 basis points per annum on the guaranteed amounts outstanding, payable monthly. This commission would also be increased by a conditional deferred commission, payable in the event that two conditions materialise. These two conditions are cumulative and are set out in the Decision of the European Commission of 27 September 2019, i.e. (i) Dexia Crédit Local and Dexia may become liable to the holders of hybrid Tier 1 securities bearing the ISIN code FR0010251421 and XS0273230572 respectively, which means in practice that Dexia Crédit Local or Dexia may be put into liquidation, and (ii) Dexia Crédit Local no longer has the authorisation as a credit institution provided for in Article L. 511-10 of the Monetary and Financial Code.
The pricing of this commission will be progressive as from 2022 and will reach an annual rate of 135 basis points in 2027 on outstanding amounts issued under the extended guarantee framework. This commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local and is guaranteed by Dexia.
The accounting treatments of these payments to the guarantor States have been the subject of detailed analyses by the Dexia Group.
From an accounting point of view, the treatment is different in the consolidated accounts under IFRS of Dexia and Dexia Crédit Local as well as in the social accounts under French GAAP of Dexia Crédit Local. There is no impact in the Belgian GAAP financial statements of Dexia, as the commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local.
In 2022, the amount recorded in the accounts for the conditional deferred commission will be insignificant, in the order of EUR 5 million. For the coming years, the amount will depend on the amount to be funded, which is influenced by various factors, in particular the evolution of interest rates.
More information on the accounting treatment of this commission in Dexia Crédit Local's consolidated financial statements are provided in Note 4.4.4c to the consolidated financial statements in this annual report.

Evolution of the Dexia Crédit Local's governance

On 29 April 2021, the Board of Directors of Dexia Crédit Local co-opted Marie-Anne Barbat-Layani as a director of Dexia Crédit Local, replacing Bertrand Dumont. Her definitive appointment was approved by the Ordinary Shareholders' Meeting of Dexia Crédit Local on 19 May 2021.
On 25 November 2021, Dexia Crédit Local's Board of Directors appointed Pascal Gilliard to succeed Guy Cools as member of the Management Board and head of Dexia Crédit Local's Assets activity line as from 1 December 2021.
A Belgian national, Pascal Gilliard has solid experience, acquired in particular at BNP Paribas Fortis where he was Head of Capital Markets for the Europe, Middle East and Africa zone, Head of Risk at Turk Economy Bank and Managing Director of an activity based in Hong Kong.
As the governance of Dexia and Dexia Crédit Local is integrated, Marie-Anne Barbat-Layani is also a non-executive director of Dexia and Pascal Gilliard is also member of the Management Board and Head of the Assets activity line of Dexia.

Other significant events

Reform of the reference indices (IBOR)

In order to reinforce the reliability and transparency of the short-term reference interest rate (IBOR), a reform has been initiated at a global level aiming at replacing these indices by new risk-free reference rates such as ESTR (EUR), SOFR (USD) and SONIA (GBP).
Dexia Crédit Local is exposed to the IBOR indices, mainly in EUR, USD and GBP, through financial instruments which are likely to be modified within the framework of this reform through the replacement of the reference interest rate. Where appropriate, the robustness of the contracts concerned is reinforced by the insertion of replacement clauses (fall-back clauses), setting out the terms and conditions of replacement in the event of the cessation of a reference interest rate.
Dexia Crédit Local established a steering committee to monitor the market and the various developments relating to this reform in order to anticipate the consequences of the transition to the new reference rates and to manage the stock of existing contracts. Dexia Crédit Local also carried out legal analyses of the contracts concerned by the reform, analyses of the financial impact of the replacements and the necessary modifications from an operational point of view.
During the year 2021, Dexia Crédit Local principally focused its work on the transition of its contracts indexed on GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA in view of the cessation of these indices respectively on 1 and 3 January 2022. In particular:

- In June 2021, Dexia Crédit Local adhered to the ISDA Protocol, which led to an automatic amendment, from the beginning of 2022, of the master agreements with the bilateral counterparties which had also adhered to the Protocol. In addition, for certain derivative contracts, the Group renegotiated, in advance from 2021, the addition of new replacement clauses directly with the counterparties. For derivatives contracts processed with clearing houses, the replacement of the index for the variable leg of instruments indexed on EONIA and GBP LIBOR took place on 15 October 2021 and 17 December 2021 respectively.
- The Group transitioned its EUR cash collateral arrangements related to derivatives and repo contracts with OTC counterparties to ESTR.
- It completed the process of updating or implementing appropriate replacement arrangements for the great majority of its securities, loans and credit lines and funding contracts affected by the transition phase.

As at 31 December 2021, Dexia Crédit Local had completed almost all the transition of contracts on indices terminating at the end of 2021. The balance relates to contracts for which the terms of transition to the new reference rates were fixed in 2021 and for which the migration will take place during 2022.
During 2022, Dexia Crédit Local will also continue its work with the elaboration of the transition strategy for its instruments indexed on the USD LIBOR, taking into account for the termination of the index which is set for June 2023.
As at 31 December 2021, in application of the amendments to IFRS 9 and IAS 39 on the reform of reference interest rates[1], the transition of Dexia Crédit Local's fair value hedge derivatives contracts indexed on GBP LIBOR generated a total impact of EUR +117 million on Dexia Crédit Local's consolidated statement of income. This impact is generated by the revaluation, based on the SONIA curve, of the fair value of the hedged risk following its redefinition, and corresponds to the reversal of the stock of GBP LIBOR/SONIA accounting inefficiency at the time of transition. By aligning the fair value hedges to the new benchmark, which is the risk-free rate, the volatility arising from the GBP/SONIA LIBOR rate risk has been removed, along with the associated hedge rate accounting ineffectiveness.
By applying the same accounting treatment, Dexia Crédit Local expects that the transition of fair value hedge derivatives contracts indexed on GBP, JPY and CHF LIBOR via the activation of replacement clauses within the framework of the ISDA protocol will generate a positive impact on income in the order of EUR 320 million, which will be recorded in Dexia Crédit Local 's consolidated financial statements in 2022.
The impact of the transition of instruments indexed on USD LIBOR on Dexia Crédit Local's consolidated financial statements cannot be estimated at this stage.

(1) Phase 2 as from 1 January 2021.

Financial results

Notes regarding the Dexia Crédit Local Group's annual consolidated financial statements 2021

Going concern

The Dexia Crédit Local consolidated financial statements as at 31 December 2021 have been prepared in accordance with the going concern accounting rules under IAS 1 § 25 and 26. This involves a certain number of assumptions constituting the business plan underlying the Dexia Group's resolution which was the subject of a decision by the European Commission in December 2012 and reassessed on the basis of the elements available at the date of closing the accounts.

The main assumptions used by management to prepare the consolidated financial statements for the year ended 31 December 2021 and the 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 as well as the maintenance of the rating of Dexia Crédit Local at a level equivalent or higher than Investment Grade.
- The continuation of the resolution assumes that Dexia maintains a good funding capacity which relies in particular on the appetite of investors for the debt guaranteed by the Belgian and French States as well as on Dexia Crédit Local's ability to raise secured funding. Since 1 January 2022, Dexia Crédit Local's issues have benefited from the 2022 guarantee, which extends the 2013 guarantee, which expired on 31 December 2021 (cf. Note 4.4.4.c to the consolidated financial statements in this annual report).
- Although it manages these risks very proactively, Dexia Crédit Local remains extremely sensitive to the evolution of the macroeconomic environment and to market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters in the long term could weigh on the Group's liquidity and solvency level. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through equity and are likely to result in a change in the Dexia Group's regulatory capital level.
- Until their effective disposal, Dexia Crédit Local remains exposed to the evolution of the fair value of the assets targeted for sale within the context of the deleveraging programme validated by the Board of Directors in 2019[1]. Nevertheless, the successful execution of this plan has significantly reduced this source of sensitivity which, as at 31 December 2021 amounted to EUR 2.2 million per basis point for all assets measured at fair value, of which EUR 1.5 million per basis point for the assets targeted for sale in the context of the deleveraging programme.
- Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been reinforced by the teleworking context imposed by the Covid-19 pandemic.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of Dexia Crédit Local's resolution could lead to a significant change in the initially anticipated resolution trajectory.

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

- Since the Group entered into orderly resolution, Dexia Crédit Local has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to prudent liquidity management. The acceleration of asset sales decided in the summer of 2019 has in particular allowed a significant reduction in Dexia Crédit Local's funding requirement, particularly in US dollars. In particular, in 2021, the funding requirement was reduced by EUR 7.7 billion to EUR 61.6 billion as at 31 December 2021. Furthermore, during 2021, the Group maintained a sustained execution of its funding programme, enabling it to complete its annual long-term refinancing programme in July. Five long-term public transactions were launched by Dexia Crédit Local in euros, pounds sterling and US dollars, for a total amount of EUR 5 billion. Indeed, Dexia Crédit Local was able to maintain a liquidity reserve deemed adequate with the restriction of access to European Central Bank (ECB) funding effective since 1 January 2022[2]. This liquidity reserve amounted to EUR 13.1 billion, of which EUR 11.1 billion in cash as at 31 December 2021.
- Within the framework of half-yearly reviews, an update of the Dexia Group's financial projections was presented to Dexia's Board of Directors on 16 December 2021. It includes a "central" macroeconomic scenario, based on the ECB reference scenario published in June 2021, supplemented by the scenarios published by the national central banks when available. This central scenario takes into account a strong economic recovery after the 2020 shock. However, Dexia considered this scenario to be too favourable as the effect of the 2020 shock on defaults is delayed in time. Therefore, a cautious approach was adopted, taking into account the macroeconomic evolution since the beginning of the crisis and not only from the end of 2020. For example, the GDP growth for the euro area used for 2021 in the point-in-time parameters (-2.5%) is the aggregate of the GDP evolution observed in 2020 (-6.8%) and the GDP projection for 2021 in the ECB scenario (+4.6%).

(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 Euro-system for liquidation structures as from 31 December 2021.

• Management has also taken into account the constraints and uncertainties of its operating model as well as the risks related to the continuity of operations, inherent to Dexia Crédit Local's specific character as a bank in resolution.
Consequently, after having taken all these elements and uncertainties into account, Dexia Crédit Local's management confirms that as at 31 December 2021, they do not call into question the fundamentals of the orderly resolution of the Dexia Group or the assessment of the application of the going concern assumption. Therefore, the consolidated financial statements can be prepared in accordance with the going concern basis under IAS 1 § 25 and 26.

Analytical segmentation

Having completed its commercial entity disposal programme as required under the resolution plan, Dexia Crédit Local is now focused on managing its residual assets in run-off, protecting the interests of the Dexia Group's State guarantors and shareholders and avoiding any systemic risk, in line with the mission of the company.
In line with the Group's profile, Dexia Crédit Local's performance is now shown at a consolidated level on the basis of a single division entitled "Management of activities in run-off", without specific allocation of funding and operating expenses by segment of activity.

Dexia Crédit Local's consolidated income statement

Analysis of the consolidated income statement

Net income Group share was EUR -277 million as at 31 December 2021, against EUR -557 million at the end of December 2020.
Over the year, net banking income amounted to EUR -76 million, including:
• Net interest margin, which amounted to EUR +59 million and corresponds to the cost of carrying assets as well as to the bank's transformation result. It was up by EUR +19 million compared to 30 December 2020, mainly due to the decrease in the cost of cash collateral over the year.
• Net commissions of EUR -10 million.
• Net gains or losses on financial instruments at fair value through profit or loss, which amounted to EUR -70 million. In particular they include EUR +117 million income related to the transition of fair value hedging derivatives contracts indexed on GBP LIBOR within the context of the reference indices reform (cf. Highlights section of this annual report). However, this gain is entirely offset by an unfavourable impact (EUR -151 million) on fair value hedging inefficiencies, linked to the evolution of market parameters, in particular the tightening of spreads on Currency Basis Swaps and on BOR-OIS, partially offset by the increase in euro and sterling interest rates. Assets classified at fair value through profit or loss following the change in business model decided by the Board of Directors on 19 July 2019 showed a positive variation (EUR +19 million). Finally, the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA) had a neutral effect on the result of the year.
• Net gains or losses on financial instruments at fair value through equity of EUR -51 million and net gains or losses on financial instruments at amortised cost of EUR -10 million related to asset disposal programmes.
At EUR -276 million, costs are down by EUR -43 million compared to 31 December 2020. This mainly reflects efforts to control general operating expenses (EUR -32 million), as well as lower taxes and regulatory contributions (EUR -11 million), linked in particular to the reduction of contributions to the Single Resolution Fund and lower supervision costs.
The principal change in the result compared to 31 December 2020 is the cost of risk. In 2020, the Covid-19 crisis had indeed materialised through an increase in expected losses, with the cost of risk amounting to EUR -169 million as at 31 December 2020 against EUR +130 million as at 31 December 2021. The cost of risk for the year is principally composed of:
• the net impact on the income statement recorded on exposures provisioned on a collective basis (EUR +159 million), resulting from the update of macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9, the move of the exposure on the Central Bank of Tunisia from Stage 2 to Stage 3 following the classification of the counterparty as unlikely-to-pay, as well as the update of the calculation parameters and the evolution of the portfolio (rating changes, disposals, natural amortisation),
• the net impact on the income statement recorded on exposures provisioned on a specific basis (EUR +28 million). The impact of the additional provisioning on Tunisia following the move of the exposure to Stage 3 was partially offset by reversals, in particular related to the total or partial early repayment of certain exposures.
Taxes amounted to EUR -55 million and included a deferred tax charge related to the transfer of Dexia Crediop shares to Dexia Crédit Local Dublin (cf. Highlights section of this annual report).

CONSOLIDATED INCOME STATEMENT – ANC FORMAT

(in EUR million)	2020	2021
Net banking income	**(174)**	**(76)**
Operating expenses	(289)	(257)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(30)	(19)
Gross operating income	**(493)**	**(352)**
Cost of credit risk	(169)	130
Net gains or losses on other assets	104	0
Pre-tax income	**(558)**	**(222)**
Income tax	0	(55)
Net income	**(558)**	**(277)**
Minority interests	(1)	0
Net income Group share	**(557)**	**(277)**

Evolution of the consolidated balance sheet

As at 31 December 2021, Dexia Crédit Local's consolidated balance sheet total amounted to EUR 97.8 billion, compared to EUR 113.5 billion as at 31 December 2020, i.e. a decrease of EUR 15.7 billion, driven by the rise in interest rates and the dynamic reduction of the portfolios.
The asset portfolio now stands at EUR 35.6 billion, composed of EUR 20 billion in bonds and EUR 15.6 billion in loans, mainly denominated in euros. It includes Italian sovereign and European public sector exposures (France, Italy, Spain, Portugal) as well as residual UK, US and Japanese asset portfolios.
On the assets side and at constant exchange rates, the decrease of the balance sheet is explained by the improvement of fair value items and posted cash collateral (EUR -12 billion) and by the reduction of the asset portfolio (EUR -6.2 billion).
On the liabilities side and at constant exchange rate, the evolution of the balance sheet is mainly due to the reduction of the stock of market funding (EUR -8.8 billion) and to the decrease of fair value items and cash collateral received (EUR -8.7 billion).
Over the year, the impact of exchange rate variations on the evolution of the balance sheet was significant and amounted to EUR +2.3 billion, taking into account the depreciation of the euro, notably against the pound sterling and the US dollar.

Information country by country

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

1. ESTABLISHMENT AND THE NATURE OF ITS ACTIVITY

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

2. DATA BY COUNTRY

Country of establishment	Net banking income (in EUR million)	Pre-tax income (in EUR million)	Current tax (in EUR million)	Workforce
United States	(9)	(18)	(1)	13
France	11	(117)	(1)	372
Cayman Islands	1	1		0
Ireland	(55)	(45)		17
Italy	(25)	(44)		75
United Kingdom	1	2		30

Statutory financial statements of Dexia Crédit Local

Evolution of the income statement

The **net income** of Dexia Crédit Local for the 2021 financial year amounted to EUR +136 million, against EUR -447 million in 2020. It remains impacted by the continuing transformation of the funding structure, disposals and repatriations of assets from subsidiaries and branches.

Net banking income was positive at EUR +458 million in 2021, against EUR +117 million at the end of 2020. It included the impacts associated with the results of asset disposals and the evolution of the valuations of investment portfolios.
It consisted in particular of:

- the net interest margin, for an amount of EUR +138 million. It includes income from asset portfolios, the funding cost and the result of the transfer of customer loans,

• the losses on the held-for-trading portfolios and financial instruments of EUR +41 million essentially including interest charges on derivatives and the impacts of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and exchange rate variations,
• the gains on investment portfolios of EUR +266 million including considerable reversals of provisions.
• the losses associated with the disposal and the early redemption of held-to-maturity securities of EUR +19 million.

Operating expenses were down EUR -35 million, at EUR -249 million as at 31 December 2021 compared to EUR -284 million at the end of 2020. This decrease mainly reflects the efforts to control general operating expenses, notably linked to the simplification of the international network. Taxes and regulatory contributions in particular show a decrease of EUR -11 million over the year (EUR -51 million in 2021 and EUR -62 million in 2020), attributable to the decrease in the contribution to the Single Resolution Fund and the decrease in supervision fees.

The **cost of credit risk** had a negative impact of EUR -99 million at the end of 2021. It is explained mainly by:
• an increase of specific provisions of EUR -39 million, the impact of the additional provisioning on Tunisia following the default of the exposure being partially offset by reversals related to the total or partial early repayment of certain exposures,
• the impairment for EUR -88 million of the loan granted by Dexia Crédit Local to its subsidiary Dexia Holding Inc.,
• a EUR +50 million reversal of provisions relating to the desensitisation of loans to the French local public sector, partly offset by EUR -34 million in provisions for other litigation.
• The item **gains/losses on fixed assets** amounted to zero in 2021 compared to EUR -264 million in 2020, corresponding to the recycling via the income statement of the translation difference carried by the shareholders' equity of Dexia Crédit Local New York, following the transfer of the entity's residual balance sheet to Dexia Crédit Local on 30 April 2020.

In 2021 the **exceptional result** included an error correction on deferred taxes for past periods in an amount of EUR +26 million.

INCOME STATEMENT

(in EUR million)	2020	2021
Net banking income	**117**	**458**
Operating expenses	(284)	(249)
Gross operating income	**(167)**	**209**
Cost of credit risk	(18)	(99)
Operating income	**(185)**	**110**
Gains or losses on intangible assets	(264)	0
Current pre-tax income	**(449)**	**110**
Exceptional income	1	26
Charges or proceeds of income tax	1	0
Income for the financial year	**(447)**	**136**
Basic earnings per share (in euros)	*(1.60)*	*0.49*
Diluted earnings per share (in euros)	*(1.60)*	*0.49*

Balance sheet evolution

The balance sheet total as at 31 December 2021 was EUR 75 billion against 84 billion in 2020, or down EUR 9 billion over the year.

This decrease comes from the reduction of the asset portfolios, of which EUR 3.8 billion through disposals and early redemptions, and from the context of rising interest rates, which translates into a decrease in cash collateral posted of EUR 3 billion. Over the year, the impact of exchange rate variations on the evolution of the balance sheet was significant, in the order of EUR +2 billion, given the depreciation of the euro, notably against the US dollar and the pound sterling. Finally, the transfer of a portfolio of EUR 3.2 billion of assets (of which EUR 2.7 billion of investment securities and EUR 425 million of loans) from the subsidiary Dexia Crediop is relatively neutral on the balance sheet total, insofar as the loans granted by Dexia Crédit Local Paris to its subsidiary decreased in parallel by EUR 3 billion.

Applying Article R 511-16-1 of the Monetary and Financial Code, the Dexia Crédit Local return on assets, calculated by dividing the net result by the balance sheet total, was -0.18% in 2021.

A – Assets

Customer loans

As at 31 December 2021, total customer loans were down by 17.8% at EUR 12.5 billion (against EUR 15.2 billion at the end of December 2020) in view of disposals, early loan redemptions and natural amortisation.

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

The total value of securities held was EUR 22 billion at the end of 2021, against EUR 20 billion at the end of 2020. The evolution of the different portfolios is presented in the notes to the financial statements. They consist essentially of French and foreign bonds, negotiable debt securities and government securities. The increase due to the repatriation of a EUR 2.7 billion portfolio of assets from Dexia Crediop is partially offset by the decrease linked to the disposals of the year.

Equity investments, shares in affiliated enterprises

Equity investments amounted to EUR 312 million as at 31 December 2021, against EUR 285 million at the end of 2020, up slightly following the transfer of the Istituto Credito Sportivo (ICS) participation from Dexia Crediop.

Other assets

The item "Other assets" was EUR 20 billion, against EUR 23 billion at the end of 2020. This item essentially consists of cash collateral.

B – Liabilities

Banks and financial institutions

The Dexia Crédit Local debt with credit institutions was EUR 3.4 billion as at 31 December 2021 against EUR 6.3 billion at the end of 2020.

Debt securities

The extent of debt securities in total liabilities is a characteristic element of the Dexia Crédit Local balance sheet. As at 31 December 2021, this amount was EUR 48.7 billion and represented the amount of bond debts issued by Dexia Crédit Local and for the most part benefiting from the guarantee of the French, Belgian and Luxembourg States.

Delays in paying suppliers and customers

Applying Articles L. 441-14 paragraph 1 and D. 441-6 of the Commercial Code, Dexia Crédit Local must each year publish a breakdown of the balance of its debts to suppliers by due date. The supplier debts of Dexia Crédit Local represent an insignificant amount in the company's balance sheet total. Dexia Crédit Local's practice is to settle its invoices at 45 days unless a contractual agreement is signed with the supplier providing for a settlement deadline of 30 days or 60 days as the case may be.

Supplier debts were EUR +6 million as at 31 December 2021. Debts associated with banking activity, for which new provisions cannot be adapted, are described in the notes 2.3 and 2.4 to the statutory financial statements of this annual report. Delays in payment relating to debts outside banking activity are indicated below.

DCL - Detail Supplier Invoices due as at 31 December 2021

Total Invoices	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
81	(155,956)	(16,133)	(2,648)	(1,994,154)	(2,168,890)

DCL - Detail Customer Invoices due as at 31 December 2021

Total Invoices	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
5	0	128,777	0	19,130	147,907

Eckert Law Information

Dexia Crédit Local declares as information provided in II of Article L. 312-19 and the fourth paragraph of I of Article L. 312-20 that it has the following accounts as at 31 December 2021:

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

FIVE–YEAR FINANCIAL SUMMARY

	2017	2018	2019	2020	2021
FINANCIAL SITUATION					
Share capital (in EUR)	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
Number of shares	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
COMPREHENSIVE INCOME (IN EUR)					
Revenues	1,862,276,007	2,584,397,238	2,158,770,445	1,077,816,686	911,119,109
Earnings before income tax, depreciation, amortisation and net impairment charges	245,593,268	(859,702,347)	(648,346,161)	(328,484,129)	(10,329,318)
Corporate income tax	(6,755,199)	(2,417,794)	23,340,552	1,214,365	3,540
Earnings after income tax, depreciation, amortisation and net impairment charges	1,003,770,302	646,943,849	393,202,645	(446,757,858)	136,264,656
Dividends	Nil	Nil	Nil	Nil	Néant
DATA PER SHARE (IN EUR)					
Revenues	6.67	9.26	7.73	3.86	3.26
Earnings after income tax, and before depreciation, amortisation and net impairment charges	0.86	(3.09)	(2.24)	(1.17)	(0.04)
Corporate income tax	(0.02)	(0.01)	0.08	0.00	0
Earnings after income tax, depreciation, amortisation and net impairment charges	3.59	2.32	1.41	(1.6)	0.49
Dividends	0.00	0.00	0.00	0.00	0
EMPLOYEE DATA					
Employees as at 31 December	683	554	461	400	397
Managerial staff	549	436	393	354	358
Administrative staff	134	118	68	46	39
Gross payroll (in EUR)	76,366,807	71,563,004	58,380,164	49,834,180	45,889,732
Payroll taxes and employee benefits (social security, employee benefit programmes etc.) (in EUR)	23,533,784	19,730,884	18,070,799	18,636,547	16,753,792

Risk management

Introduction

In 2021, the Risk management activity line continued actively to manage the risk carried by Dexia Crédit Local, in line with the Risk Appetite Framework (RAF). This framework, which includes indicators of solvency, liquidity, profitability and operational as well as 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 ongoing health crisis, the Group continued to deploy 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 gradual attenuation of the impact of the pandemic resulted in a positive cost of risk of EUR +130.6 million in 2021, mainly due to the favourable update of the macroeconomic parameters used for the assessment of expected credit losses under IFRS 9 and to the review of sensitive sectors carried out by the Group.

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

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

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

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

Governance

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

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

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

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

The Management Board is responsible for implementation of the various policies and directives framing Group strategy, particularly with regard to risk. To facilitate the operational conduct of the bank, 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 the bank's risks under the supervision of those committees.

More detailed information on the Risk Committee, the Management Board, the Transaction Committee and the ALCO Committee is provided in the "Governance" chapter of the annual report of Dexia.

Organisation of the Risk activity line

The Risk Management Executive Committee

As at 31 December 2021, the Risk Management Executive Committee is chaired by the Chief Risk Officer and each department is represented within it:

- the Credit Analysis Centres department,
- the Market Risk department,
- the Permanent Control, Operational Risk and IT Systems Security department,
- the Risk Models, Quantification and Default Monitoring department,

- the Transversal Risk Management department,
- the Risk Metrics and Reporting department,
- the Internal Validation department.

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

The Risk Management Executive Committee meets on a weekly basis to review risk management strategies and policies as well as the main internal reports before they are disseminated outside the activity line. It is also responsible for monitoring regulatory issues, validating collective provisioning methodologies and the general organisation of the activity line. Finally, it also monitors key issues related to Accounting Control and Compliance.

In particular, the Risk Management Executive Committee is responsible for monitoring models (developments, reviews, back testing, stress testing) on the proposal of the teams responsible for managing risk models, quantification and default monitoring and the market risk team. It regularly informs the Management Board and the Risk Committee about the use of the models and their developments and/or any difficulties encountered.

The organisation and operation of the activity line also rely on other committees, the prerogatives of which are governed by a system of delegation of powers, depending on the nature of the risks to which the Group is exposed.

Typology of the risks monitored by Risk management

Risk Appetite Framework

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

The RAF was introduced in Dexia Crédit Local 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 during 2021, within the context of the Covid-19 crisis but also to strengthen the steering framework of outsourced activities, in line with Dexia Crédit Local's organisational model. A consolidated quarterly scorecard is presented by the Risk Management Department to the Risk Committee and the Board of Directors, with the aim of closely and thoroughly monitoring the main risk indicators and informing the bank's decision-making bodies.

Credit Risk

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

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

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

- The **Watchlist Committee** supervises assets considered to be "sensitive" and placed under watch, and decides on the amount of provisions set aside.
- The **Default Committee** screens and monitors counterparties in default, by applying bank 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 principles are consistent across the Group's various entities.

Market Risk

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

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

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

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

Transformation and liquidity risk

Monitoring transformation risk involves monitoring the risk of loss associated with the transformation of the banking portfolio, as well as liquidity risk.

Transformation risk arises when assets are refinanced by resources presenting a different maturity, indexation or currency. It includes structural risks associated with the financing of holdings with equity in foreign currencies.

Liquidity risk measures Dexia Crédit Local's ability to deal with its current and future cash requirements, both on a discounted basis and in the event of a deterioration of the Group's environment, on the basis of a range of stress scenarios.

Transformation risk management is carried out by the "Financial Strategy" team located within the Finance activity line. Management actions are reviewed and validated by the ALCO Committee, on delegation from the Management Board. Within the Risk department, a dedicated ALM Risk team is responsible for defining the risk framework within which management can be carried out, validating the models used for the effective management of this risk, monitoring exposures and checking their compliance with the principles established by the bank. Furthermore, the ALM Risk team also defines the stresses to be applied to the various risk factors, proposes the risk acceptance levels and ensures compliance with the regulatory framework in force.

Operational Risk and IT Systems Security

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

The Management Board regularly monitors the evolution of the risk profile of Dexia Crédit Local's various activities and delegates the operational management of risk monitoring to the specialist 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 IT systems security examines and decides on the actions to be taken to ensure business continuity and the implementation of the IT systems security policy.

Operational risk, activity continuity and IT systems security management is coordinated by a central team within the Risk activity line, supported by a network of correspondents within all entities, as well as within the bank's various departments. Within each field of activity, 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 Crédit Local's general approach to prudential problems and ensuring exhaustive cover for the various regulatory topics. It informs the different activity lines of the main regulatory developments, asks for and organises the various impact analyses and liaises with the various international entities on the implementation of new reforms.

ICAAP/ILAAP

The "Stress Tests and Pillar 2" Committee, under the joint responsibility of the Finance and Risk activity lines, steers the internal ICAAP and ILAAP processes. This committee approves all matters concerning governance, risk measures and results before they are submitted to the Management Board, the Risk Committee and the Board of Directors. In addition to regular regulatory and economic stress tests, particular attention has been paid to the potential impacts of the health crisis. The ICAAP and ILAAP results are independently analysed by the Internal Validation department. In continuity with previous years, analyses of the risks of deviations from the strategic plan were carried out for the ICAAP/ILAAP file (subject to exchanges with the regulators within the framework of the SREP) as well as ad hoc analyses to support strategic choices.

Risk Monitoring

Credit risk

Exposure to credit risk

Dexia Crédit Local's credit risk exposure is expressed as Exposure at Default (EAD). It corresponds to the best estimate of the credit risk exposure in case of default. The definition of EAD used by Dexia Crédit Local is included in Note 7 to the consolidated financial statements.

As at 31 December 2021, Dexia's credit risk exposure amounted to EUR 73.1 billion compared to EUR 82.2 billion at the end of December 2020, i.e. a decrease of 11%, mainly due to the natural amortisation of the portfolio, asset disposals and early repayments.

EUR 34.1 billion of the exposure is in loans and EUR 35.3 billion in bonds. They are mainly concentrated in France (27%), the United Kingdom (25%) and Italy (22%). The exposure to France includes deposits with the Banque de France, as part of the management of the liquidity reserve. These deposits amounted to EUR 9.7 billion as at 31 December 2021.

EXPOSURE BY GEOGRAPHIC REGION

	31/12/2020		31/12/202021
(in EUR million)	EAD IFRS	EAD COREP	EAD COREP
France	20,962	20,976	19,528
United Kingdom	20,648	20,549	18,116
Italy	18,585	18,483	16,335
Spain	4,610	4,571	3,869
United States	4,628	4,626	3,697
Portugal	3,673	3,666	3,381
Japan	3,073	3,073	2,873
Other European countries	1,992	1,908	1,761
Germany	657	645	743
Central and Eastern Europe	857	858	643
Canada	601	592	378
Scandinavia	92	92	63
Tunisia	113	113	51
Central and South America	37	37	43
Switzerland	95	95	31
South-East Asia	6	6	5
Others[1]	1,413	1,866	1,578
TOTAL	**81,972**	**82,156**	**73,093**

(1) Includes supranational entities and Australia.

As at 31 December 2021, exposures remained mainly concentrated on the local public sector and sovereigns (74%) taking Dexia Credit Local's historic activity into account.

EXPOSURE BY CATEGORY OF COUNTERPARTY

	31/12/2020		31/12/202021
(in EUR million)	EAD IFRS	EAD COREP	EAD COREP
Local public sector	33,237	33,165	28,128
Sovereigns	27,900	27,797	25,825
Project finance	6,456	6,321	5,921
Corporates	5,558	5,553	5,815
Financial institutions	6,227	6,192	4,507
Monolines	1,317	1,317	1,254
ABS/MBS	1,277	1,207	1,160
Others (individuals, SME, self-employed)	0	604	484
TOTAL	**81,972**	**82,156**	**73,093**

The quality of Dexia Crédit Local's credit portfolio remains high, with 91% of exposures rated investment grade as at 31 December 2021.

EXPOSURE BY RATING (INTERNAL RATING SYSTEM)

	31/12/2020		31/12/202021
	EAD IFRS	EAD COREP	EAD COREP
AAA	19.3%	19.3%	20.5%
AA	6.2%	6.2%	5.0%
A	24.4%	24.3%	19.9%
BBB	42.1%	41.9%	46.1%
Non-investment Grade	7.3%	7.2%	7.3%
D	0.6%	0.5%	0.6%
No rating	0.0%	0.7%	0.6%
TOTAL	**100%**	**100%**	**100%**

Particular attention is paid to the sectors and countries listed in the following table in view of the significant amounts of exposure or the degree of sensitivity. The main developments and significant facts for those sectors and countries in 2021 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	o/w others (individuals, SME, self-employed)
France	19,528	4,118	1,969	1,488	0	11,475	363	115
United Kingdom	18,116	8,989	6,563	542	1,158	0	863	0
Italy	16,335	7,439	62	126	0	8,693	0	15
Spain	3,869	2,683	644	182	0	360	0	0
United States	3,697	1,326	1,144	922	2	274	28	2
Portugal	3,381	520	33	0	0	2,827	0	0
Japan	2,873	2,630	0	244	0	0	0	0
Tunisia	51	0	0	0	0	51	0	0

GROUP SECTOR EXPOSURE BY RATING

(in EUR million)	Total	AAA	AA	A	BBB	NIG*	D	No rating
Local public sector	28,128	1,612	2,308	7,489	12,169	4,349	157	44
Sovereigns	25,825	13,285	0	960	11,530	0	51	0
Project finance	5,921	0	0	695	4,084	893	248	0
Corporates	5,815	0	0	726	5,049	37	2	1
Financial institutions	4,507	0	189	3,474	810	25	0	10
Monolines	1,254	0	0	1,226	28	0	0	0
ABS/MBS	1,160	0	1,130	2	0	28	0	0
Others (individuals, SME, self-employed)	484	89	0	0	11	0	0	383
Total	**73,093**	**14,986**	**3,627**	**14,572**	**33,681**	**5,331**	**458**	**438**

Non-investment grade.

Dexia Crédit Local Group commitments to sovereigns

Dexia Crédit Local's commitments to sovereigns are concentrated essentially in France, Italy and to a lesser extent Portugal.

As vaccination campaigns progressed and restrictions began to be lifted, the global economy rebounded strongly in the spring of 2021 and continued to ride the wave of reopening over the summer. By the third quarter, output and unemployment in the European Union (EU) as a whole were almost back to pre-crisis levels, although the pace of recovery is uneven across countries. Thanks to extensive and well-coordinated monetary and fiscal measures, the damage to the economy appears to be considerably less than feared at the start of the pandemic.

The recovery of demand in the EU, but also in most advanced economies, has been such that supply is struggling to keep up. Logistical bottlenecks, tight supply chains and shortages of raw materials and intermediate items are putting pressure on production and delivery times. High energy prices, especially for natural gas and electricity, are also holding back growth and fuelling inflationary pressures. Although the EU economy is expected to continue its recovery and inflation to decline gradually, the level of uncertainty remains high.

For the euro zone, GDP growth of 5% is expected in 2021, with France and Italy well above this at 6.5% and 6.2%, respectively.

Although public debt levels have risen sharply, central bank support measures are currently allowing European sovereigns to finance themselves at low rates, making these debt levels more sustainable.

The exposure to Italian sovereigns amounted to EUR 8.7 billion as at 31 December 2021. Prime Minister Mario Draghi's new government, with its broad support in parliament, is encouraging for much needed reforms.

Although the UK's GDP is expected to reach its pre-pandemic level by the second quarter of 2022, its exit from the EU is expected to continue to weigh on its trade and growth. Dexia Crédit Local has no significant exposure to the UK sovereign. Its total exposure to the United Kingdom is nevertheless significant, at EUR 18 billion as at 31 December 2021, and is mainly related to local authorities, utilities active in the field of water, gas and electricity transmission and distribution, project finance and social housing, which are *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 increased sharply. The success of negotiations with the IMF is uncertain following some of the President's decisions while the country faces difficult financing conditions and significant financing needs. As at 31 December 2021, Dexia Crédit Local's outstanding exposure to Tunisia amounted to EUR 51 million, entirely concentrated on the sovereign.

At the beginning of 2022, Dexia Crédit Local is closely following the evolution of the geopolitical context in Eastern Europe and in particular the repercussions of the conflict in Ukraine. The bank has no direct exposure to Ukraine or Russia. It has an indirect exposure to the Croatian subsidiary of a Russian bank, via a deposit of an insignificant amount. Moreover, Dexia Crédit Local has no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

Dexia Crédit Local Group commitments to the local public sector

Given Dexia Crédit Local's historical activity as a lender to local authorities, the local public sector represents a significant part of the bank's outstandings, which are mainly concentrated in Western European countries (the United Kingdom, Italy, France, Spain), the United States and Japan.

France

Dexia Crédit Local's exposure to the French public sector amounted to EUR 4.1 billion as at 31 December 2021.

Despite the ongoing health crisis, the financial situation of local authorities tended to improve in 2021 thanks to the stability of financial transfers from the State, the implementation of exceptional support measures, in particular a recovery plan, of which EUR 10.5 billion is dedicated to local authorities, and a favourable outlook for local and economic taxation.

The analyses of the provisional accounts tend to confirm a rebound in local investment in 2021, based in particular on a revival of economic activity from which the local authorities benefit through their tax revenue basket, which is now more sensitive to the economic situation (value added tax).

As expected, the crisis has affected local authorities less, even if the impact is contrasted. Indeed, the large cities, which had to face exceptional expenses to manage the health situation, as well as the tourist and overseas municipalities, deprived of part of their income during the periods of lockdown, are those which suffered most from the crisis. Specific aid to mountain municipalities, the activity of which was heavily penalised by the pandemic, was put in place by the State in 2021, thus considerably mitigating the feared budgetary shock.

The financial health of the départements is generally better than initially anticipated thanks to a surge in transfer duties against payment (*Droits de mutation à titre onéreux* – DMTO) and a small increase in the *Revenu de Solidarité Active* (RSA). Nevertheless, concerns remain regarding the RSA and the number of beneficiaries, which could rise sharply following the tightening of unemployment benefit conditions in force since 1 October 2021, especially as this increase could be accompanied by a fall of DMTO.

As for the regions, they suffered a sharp fall of their gross savings (-21.7%), but overall their initial situation was more favourable. While their real operating income fell, they continued to invest (+15%) to support businesses hit by the crisis, with a EUR 500 million contribution to the national solidarity fund or the implementation of regional funds. This investment expenditure was financed by an increased recourse to debt, raising the average debt reduction ratio of the regions from 4.3 years in 2019 to 6.1 years in 2020.

Italy

Dexia Crédit Local's exposure to the Italian public sector amounted to EUR 7.4 billion as at 31 December 2021, of which the main part relates to Regions (55%) and Municipalities (32.7%)

As of 2020, the central government has set up a number of compensation funds, for more than EUR 20 billion, intended to compensate local authorities for the loss of revenue (funds for the exercise of health, social and educational functions, funds for public transport, funds for the payment of old bills to suppliers). The revenues of cities are under greater pressure than those of regions, due to a closer link with local economies, while regions are more dependent on government subsidies. After an unprecedented decline in economic activity triggered by the pandemic, tax revenues are expected to recover in 2021 and return to pre-crisis levels by 2022.

As at 31 December 2021, no defaults have been recorded on Italian local governments, including municipalities.

Spain

Dexia Crédit Local's exposure to the Spanish public sector amounted to EUR 2.6 billion as at 31 December 2021.
The Spanish regions benefit from the support of the Spanish State and, to a lesser extent, of the European Union through the Autonomous Communities Financing Fund, which in 2021 materialised in the payment of EUR 37.7 billion from the Spanish State, mainly via the liquidity fund for the regions, and of EUR 3.1 billion from the European Union via the REACT-EU liquidity fund, which provides liquidity in the form of loans.
Within the context of the health crisis, the State had also granted its Autonomous Communities EUR 16 billion via the Covid fund at the end of 2020. Financial support has been maintained in 2021 through the extraordinary fund amounting to EUR 13.5 billion. This extraordinary transfer is established with the aim of cushioning the effects of the pandemic on regional finances.
In return for this aid, the State's control over regional or local finances is reinforced.
Dexia Crédit Local has a high outstanding amount of EUR 1.3 billion on Catalonia and its related entities. Catalonia is one of the main Spanish regions and an important centre of economic attractiveness for Spain, but its financial situation remains tense. It therefore benefits from strong support from the State. No payment incident on Catalonia or the other Spanish regions to which Dexia Crédit Local is exposed was recorded in 2021.
Most of Dexia Crédit Local's clients in the Municipalities and Provinces segment are in good financial health, with a surplus cash position, except for some clients whose maturities are covered by the *Fondo de Ordenacion*. In addition, municipalities and provinces are allowed to allocate their surpluses to meet social needs arising from the health crisis (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

Dexia Crédit Local's exposure to the public sector in the United States amounted to EUR 1.3 billion as at 31 December 2021.
The majority of the local public sector exposure in the US is to states (46%) and local governments (8%). Like the US local public market, Dexia Crédit Local's portfolio is of good quality and is generally insured by monolines.
The main risks affecting the sector are the medium and long-term risks related to the increase of pension liabilities, with a greater or lesser capacity for reform depending on the legislative framework of each state, and the possible subordination of bond lenders to the beneficiaries of the pension plans. The US public sector received a considerable amount of direct federal aid in the year 2021 as a result of the pandemic (USD 195 billion for states and USD 130 billion for local governments), which has mitigated the difficulties faced by the US public sector. In addition, revenues for most states were better than expected due to the strong rebound of the US economy in 2021.
In 2021, Dexia Crédit Local benefited from favourable market conditions to reduce its exposure to the State of Illinois, which amounted to EUR 0.6 billion as at 31 December 2021. After a deterioration caused by the pandemic, Illinois' financial situation began to improve in 2021, mainly due to higher than expected revenues and an unprecedented USD 8.1 billion in direct federal aid. The main long-term challenge for the state remains its very large unfunded pension liability, which is a significant drain on the state budget.

Dexia Crédit Local Group commitments to project finance and corporates

The project finance and corporate loan portfolio amounted to EUR 11.7 billion as at 31 December 2021, down 1% compared to the end of 2020. This portfolio has contracted, on the one hand, due to natural amortisation and some early repayments and, on the other hand, as a result of Dexia Crédit Local's asset disposal programme.
The portfolio is composed of 50% project finance, the balance being corporate finance, such as acquisition finance, commercial transactions or corporate bonds.
The portfolio is of good quality: 81% of project finance and 99% of corporate finance are rated Investment grade (after taking into account associated guarantees).
In terms of geographical spread, the UK accounts for approximately 56% of the project finance (PPP) and corporate (Utilities) portfolio. 97% of this exposure is rated investment grade. At this stage, Dexia Crédit Local has not seen any significant negative impact on this portfolio as a result of 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 has been strongly impacted by the Covid-19 pandemic. Given the security and liquidity reserves included in project finance, the impacts of the pandemic are bearable in the short term. The final impact will depend on the duration of the crisis and the recovery conditions. After analysis of the bank's portfolio, the main sectors impacted in which Dexia Crédit Local has a significant presence are:

- The airport sector (exposure of EUR 175 million). The sector is very strongly impacted but Dexia Crédit Local's counterparties seem to be able to cope with the temporary reduction of their activity. Some of these exposures are guaranteed by a monoline.
- The transport infrastructure sector bearing a traffic risk (excluding airports) on which Dexia Crédit Local has an exposure of EUR 1.7 billion, 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 sharp drop in traffic observed during the months of lockdown. The first available information on traffic indicates a satisfactory recovery, but this remains dependent on the health measures taken in each country.
- The gas and oil sector to which Dexia Crédit Local has a low exposure, up to EUR 39 million, even if the difficulties encountered, particularly in 2020 (fall in energy prices), are only partly due to the health crisis. As at 31 December 2021, the quality of Dexia Crédit Local's exposures in this sector remains globally satisfactory, with the exception of one fully provisioned case.

Dexia Crédit Local Group commitments to ABS

As at 31 December 2021, the Dexia Crédit Local's ABS portfolio amounted to EUR 1.2 billion, down by 5% following the refinancing of part of the ABS on hospital receivables in Italy. 100% of the portfolio is rated investment grade, compared to 92.7% at the end of December 2020.

Dexia Crédit Local Group commitments to financial institutions

Dexia Crédit Local's commitments to financial institutions amounted to EUR 4.5 billion as at 31 December 2021.

In 2021, the end of the strict lockdowns as observed in 2020 and the gradual recovery of economic activity allowed financial institutions to resume their activity in a more stable environment. However, the resurgence of new Covid variants continued to weigh on activity in many global economies.

Uncertainties also persist regarding energy prices and disruptions in supply chains, posing new risks to the creditors of financial institutions around the world. Banks have continued their policy of cost containment in order to address potential future declines in operating income, the likely rise in inflation and rising debt levels.

Supervisors continued to provide support measures to ease regulatory pressures on financial institutions, which reduced the credit risk on these counterparties.

Dexia Crédit Local Group commitments to monolines

Dexia Crédit Local is indirectly exposed to monolines in the form of financial guarantees ensuring the timely payment of principal and interest payable on certain bonds and loans. Actual claims against monoline insurers only become payable if real defaults occur in the underlying assets. Dexia Crédit Local's enhanced bonds benefit from increased trading values and, in some cases, capital relief due to the credit enhancements provided.

As at 31 December 2021, the exposure to monolines used for the calculation of risk weights amounted to EUR 1.3 billion. 78% of the exposure is insured by monolines rated investment grade by at least one external rating agency. With the exception of one counterparty, all the credit enhancers continue to honour their initial commitments.

Impairment on counterparty risk – Asset quality

ASSET QUALITY

(in EUR million)	31/12/2020	31/12/2021
Impaired assets[1]	556	576
Specific provisions[2]	133	164
o/w Stage 3	*124*	*157*
POCI	*9*	*6*
Coverage ratio[3]	24.0%	28.4%
Collective provisions	320	164
o/w Stage 1	*21*	*9*
o/w Stage 2	*299*	*155*

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

The year 2021 was marked by:

- the gradual mitigation of the impact of the health crisis on the estimation of collective provisions with, in particular, a more favourable 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 (cf. section "Review of macroeconomic scenarios and sensitive sectors" below),
- the review of LGD models in the project finance sector,
- the continuing transformation of the Group Dexia and the asset disposal programme.

As at 31 December 2021, collective provisions amounted to EUR 164 million, of which EUR 9 million in Stage 1 provisions and EUR 155 million in Stage 2 provisions. The decrease of EUR 144 million over the year in Stage 2 provisions results from the update of the macroeconomic scenarios used for the assessment of expected credit losses within the framework of IFRS 9, the change of the exposure on the Central Bank of Tunisia from Stage 2 to Stage 3 following the classification of the counterparty as unlikely-to-pay, as well as the update of the calculation parameters and the evolution of the portfolio (changes in rating, disposals, natural amortisation).

Dexia Crédit Local's stock of impaired assets amounted to EUR 576 million as at 31 December 2021, up by EUR 20 million compared to the end of 2020. Earmarked specific provisions amounted to EUR 164 million, up EUR 31 million compared to 31 December 2020.

The increase in impaired assets and specific provisions is explained by the move of the Tunisian exposure to Stage 3, offset by reversals related to the total or partial early repayment of certain exposures. As a result, the coverage ratio stood at 28.4% as at 31 December 2021.

Non-performing exposures and Forbearance practices

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

- Non-performing exposures include exposures which are materially past due by more than 90 days or for which Dexia Crédit Local believes the counterparty is unable to repay without the provision of collateral. As at 31 December 2021, outstanding non-performing exposures represent EUR 466 million (against EUR 511 million as at 31 December 2020), corresponding to 38 counterparties. The decrease of EUR 45 million is mainly related to NPE exits from public sector counterparties.
- Forbearance is defined as facilities granted by banks to counterparties experiencing or likely to experience financial difficulties in meeting their commitments (facilities that the banks would not otherwise have granted). As at 31 December 2021, 31 counterparties were subject to Forbearance, for an outstanding amount of EUR 370 million.

Review of macroeconomic scenarios and sensitive sectors

Given the improvement of the macroeconomic context in 2021, Dexia Crédit Local has changed the assumptions and estimates made for the preparation of its consolidated financial statements as at 31 December 2021. In particular, Dexia Crédit Local has reviewed the macroeconomic scenarios included in the point-in-time and forward-looking measures of the probability of default and loss given default models used for the assessment of expected credit losses under IFRS 9.

Thus, for the preparation of the consolidated financial statements as at 31 December 2021, Dexia Crédit Local has retained a "central" macroeconomic scenario based on the projections published by the European Central Bank (ECB) in June 2021 or by the national supervisors when available (Belgium, France, Germany, Spain, Greece, Italy, Ireland, the Netherlands, Portugal, the United Kingdom, the United States and Tunisia).

This scenario takes into account a strong economic recovery after the 2020 shock, inter alia following the roll-out of vaccination campaigns. However, Dexia Crédit Local considered this scenario to be too favourable as the effect of the 2020 shock on defaults is time-lagged with respect to the specific context of the pandemic and the application of health and economic support measures. Therefore, a cautious approach has been adopted, taking into account the macroeconomic evolution since the beginning of the crisis and not only from the end of 2020. For example, the GDP growth of the euro zone used for the year 2021 in the point-in-time parameters (-2.5%) is the aggregated evolution of the GDP evolution observed over 2020 (-6.8%) and the GDP projection for 2021 in the ECB scenario (4.6%). The GDP developments considered for 2022 and 2023 for the euro area are those of the ECB (+4.7% and +2.1% respectively).

The IFRS 9 approach also allows for macroeconomic uncertainty around the central scenario. In this approach, a deviation of two standard deviations has been taken into account on the macroeconomic indicators for a projection horizon of three years. This deviation is calibrated by comparing the macroeconomic projections of past years with the actual macroeconomic developments. The resulting expected credit losses are thus obtained by weighting the central scenario with an improved scenario and a downgraded scenario, within this uncertainty range. For Dexia Crédit Local's credit portfolio, the expected losses being globally more sensitive to the downgraded scenario than to the improved scenario, the taking into account of the uncertainties around the central scenario results globally in a net increase of provisions, compared to the central scenario alone.

In addition to the baseline scenario, the ECB published an optimistic and a severe scenario in the context of the pandemic. These scenarios, detailed on the ECB website, provide additional information on macroeconomic uncertainty. As a sensitivity analysis, over three years the severe scenario foresees reduced GDP growth of around 4%, while the unemployment rate has increased by 1.3%. This results (considering that the ECB's severe scenario becomes Dexia Crédit Local's central scenario) in an increase in expected credit losses of 30%.

Furthermore, Dexia Crédit Local pays particular attention to sensitive economic sectors, especially those sectors strongly impacted by the health crisis as identified in 2020. Thus, since 2020, all counterparties likely to be weakened by the crisis are systematically classified in Stage 2 if they are not classified in Stage 3. This concerns in particular airports, corporate real estate, French overseas and mountain communities, the oil, gas and tourism-entertainment sectors and the financing of student accommodation in the United Kingdom. All these sensitive sectors represent an exposure of EUR 12 billion out of a total of EUR 73.1 billion.

Dexia Crédit Local also conducts, on a quarterly basis, an in-depth analysis of non-performing counterparties in order to assess the consequences of the health crisis on their financial situation. At this stage, there is no significant increase in default events.

Standard approach for credit risk-weighted assets

Since the first quarter of 2020, Dexia Crédit Local has applied the standard approach to calculate credit risk-weighted assets. In order to calculate the minimum regulatory capital requirements, Dexia Crédit Local refers to the CRR2 regulation. For some types of assets, the applicable weighting is directly defined in the text of CRR2 while for other types of assets, CRR2 defines the risk weighting according to the credit quality step, depending on the external rating.

As a general rule and with some exceptions for small portfolios, Dexia Crédit Local considers external ratings from Moody's, Fitch and Standard & Poor's. For the specialist sectors of monolines and financial guarantors, the two specialist agencies Kroll and AM Best are also considered.

Market risk

Risk measurement

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

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

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

Exposure to market risk

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

- transactions initiated by financial instrument trading activities until the date of the Dexia Group's orderly resolution, most of them covered back-to-back,
- transactions intended to cover risks arising from disinvestments or asset sales within the framework of the orderly resolution plan.

The main risk factors of the trading portfolio are:

- the interest rate risk, in particular on the euro zone and dollar zone,
- the cross currency basis swap risk,
- the basic BOR-OIS risk 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 2021, total consumption in VaR was EUR 1.2 million against EUR 1.1 million at the end of 2020.

VALUE AT RISK OF THE TRADING PORTFOLIO

(in EUR million) **VaR (10 days, 99%)**	**2020**	**2021**
Average	1.5	1.1
End of period	1.1	1.2
Maximum	20.3	1.49
Minimum	1.0	0.91

Sensitivity to the evolution of credit spreads 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 sensitivity of the bank to changes in the fair value of the assets concerned until they are disposed of. However, this sensitivity has decreased during 2021 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 -1.1 million as at 31 December 2021 against EUR -2.2 million as at 31 December 2020. The portfolio classified at fair value through profit or loss had a sensitivity to an increase in credit spreads of EUR -1.1 million as at 31 December 2021 compared to EUR -2.1 million as at 31 December 2020. Of these assets classified at fair value through profit or loss, those not meeting the SPPI criterion had a lower sensitivity at EUR -0.7 million per basis point at the end of 2021 against EUR -1 million a year earlier.

Transformation risk

Dexia Crédit Local's Asset and Liability Management (ALM) policy aims to reduce liquidity risk as much as possible and to limit exposure to interest rate and exchange rate risk.

The actions taken by Dexia Crédit Local in 2021 to reduce the sensitivity of its balance sheet and its results to interest and exchange rate parameters are detailed in the "Highlights" chapter in this annual report.

Management of interest rate and exchange rate risk

Measurement of interest rate risk

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

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

The sensitivity of long-term ALM was EUR -39.6 million as at 31 December 2021, against EUR -14.3 million as at 31 December 2020. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2020	2021
Sensitivity	(14.3)	(39.6)
Limit	+/-130	+/-130

Measurement of exchange risk

With regard to foreign exchange, the ALCO decides on the policy for hedging foreign exchange risk generated by the existence of assets, liabilities, income and expenditure in foreign currencies. Also subject to regular monitoring are:

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

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

Management of liquidity risk

Dexia Crédit Local's policy for managing liquidity risk

Dexia Crédit Local's main objective is to manage 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 its results and to minimise volatility.

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

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

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

Measurement of liquidity risk

At the end of 2019 the European Central Bank confirmed to Dexia Crédit Local that the liquidity coverage ratio (LCR) and the net stable funding ratio (NFSR) were no longer expected at a Dexia Crédit Local consolidation level. As a consequence, Dexia no longer produces these ratios at that consolidation level but continues to calculate them at the consolidated level for the Dexia Group and at the level of the Dexia Crédit Local entity (statutory).

As at 31 December 2021, the Dexia Group (consolidated) and Dexia Crédit Local (statutory) had an LCR ratio of 176.5% and 152% respectively, well above the minimum requirement of 100%.

As at the same date, the net stable funding ratios (NFSR) were also in line with those requirements, amounting to 163.4% for the Dexia Group (consolidated) and 151.5% for Dexia Crédit Local (statutory).

Operational risk and IT systems security

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

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

Measuring and managing risk

Operational risk management is identified as one of the pillars of Dexia Crédit Local's strategy, within the context of its orderly resolution.

This risk is monitored within the framework of the standard approach determined by the Basel regulatory methodology. Under this methodology, information relating to the operational risk must be transferred to the managers in charge of monitoring this risk, and the tasks identified as critical must be monitored.

The operational risk management system relies on the following components:

- Operational risk event database: the systematic capture and monitoring of operational incidents is one of the main requirements of the Basel Committee. In accordance with its regulatory obligations, Dexia Crédit Local has put in place a system to identify operational incidents and to collect specific data. The information collected enables it to improve the quality of its internal control system. Over the last three years, 99% of the losses according to the Basel definition came from incidents referenced in the "Execution, delivery and process management" category. For the year 2021 as a whole, there was no direct financial impact, the impact being mainly related to staff/days 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) (focus Organisation / Critical processes): in addition to establishing a loss history, a mapping of Dexia Crédit Local's exposure to key risks is carried out regularly. All entities of the Dexia Crédit Local Group carry out risk self-assessment exercises taking into account existing controls and thus making it possible to build up an overall view of operational risks in the various entities and activities in France and abroad. The overall mapping is presented to the Management Board. Risk mitigation actions can be defined if necessary. Finally, an RCSA specifically covering the IT and Back-Office activities provided by Cognizant is conducted annually by Cognizant and then challenged by the Operational Risk and Permanent Control functions of Dexia Crédit Local. It should be noted that a Risk & Control Assessment (RCA) covering critical or important services has also been implemented (focus "Service provider / Service").
- Definition and monitoring of action plans: remedial actions are defined to avoid major incidents recurring, to correct deficient controls or to reduce important risks identified. Regular monitoring is carried out by the operational risk management function. This process allows the internal control system to be constantly improved and risks to be reduced appropriately over time.
- Key Risk Indicators (KRI): KRI have been developed and enable the Risk Committee to monitor the evolution of the principal risks identified in the Risk Appetite Framework.
- IT security management: the IT security policy and the associated instructions, standards and practices are aimed at ensuring that Dexia Crédit Local's IT assets are secure.
- Business continuity management: all the activities take place in a secure environment. The business lines establish impact analyses for vital activities in the case of disaster or interruption. They define and then regularly update business continuity plans.

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

Management of operational risk during the resolution period

In 2021, Dexia Crédit Local continued to adapt its structure and operational processes to its orderly resolution mandate. 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 individuals, a possible demotivation of staff members or the modification of treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phases, but in the medium term they should ensure the bank's operational continuity and limit the operational risks associated with systems, processes and people.

In addition, the operational risks associated with the implementation of major transformation projects are monitored on a quarterly basis to ensure that corrective action is taken to reduce the most significant risks.

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

More information on the actions undertaken by Human Resources to mitigate operational risk is provided in the chapter "Non-financial statement. Corporate social, environmental and societal responsibility" of the annual report of Dexia.

Stress tests

Stress tests and scenario analyses

In line with the Pillar 2 stress test policy, Dexia Crédit Local carries out multiple scenario analysis and stress test exercises in a transversal approach integrated into the Group's risk management process. The aim is to identify possible vulnerabilities and simultaneously, in an unfavourable shock situation, to estimate 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 programme of stress tests in accordance with the relevant regulations is being 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 2021 concern:

- Specific credit stress tests for the main asset classes. Credit exposures by asset class were subject to annual sensitivity tests, macroeconomic, historical scenarios related to an economic slowdown, climate 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 com-

(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).

pared with the results of the Value at Risk (VaR) approach to credit risk. Specific analyses of the sensitivity to environmental risks were also performed.

• Market stress tests highlighting potential events outside the probabilistic framework of VaR measurement techniques. They were divided into single risk factor tests, historical scenario tests and hypothetical scenario tests.

• Structural interest rate risk stress tests to measure the potential impact on Dexia Crédit Local's capital of a sudden and unexpected change in interest rates, thus meeting regulatory expectations.

• Liquidity stress tests to estimate additional liquidity needs in exceptional but plausible scenarios over multiple time horizons.

• Operational risk stress tests based on the analysis of the frequency and severity of operational incidents, complemented by "expert scenario" analyses covering IT, HR and outsourcing risks. These different categories of risk are managed within the framework of 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.

The European Banking Authority's (EBA) adverse scenario of 2021 has been assessed within the framework of the ICAAP.

Within the specific context of the Covid-19 health crisis, specific scenarios were applied. These stress tests take into account, inter alia, the severe macroeconomic scenario as published by the European Central Bank (ECB) and the national banks in the context of the pandemic.

For the ICAAP and ILAAP stresses, at regular intervals Dexia Crédit Local performs a comprehensive review of its vulnerabilities to cover all material risks, related to its business model under stressed macroeconomic and financial conditions. This review documented by the ICAAP/ILAAP processes is applied and complements the financial planning process.

Within the context of ICAAP, "correlation risk" (CRR2 Article 291) is analysed. "General correlation risk" reflects the positive correlation between the probability of default and general market factors. This risk, in line with the "correlation risk" policy, is assessed by means of stress tests and scenario analyses. "Specific correlation risk" arises when the future exposure to a counterparty is positively correlated with the probability of default of that counterparty due to the nature of the transactions with that counterparty. This risk is identified, monitored and controlled in line with the correlation risk policy and capital requirements are assessed on a quarterly basis.

In addition, reverse stress tests are also conducted. The ICAAP and ILAAP file is independently reviewed by the Internal Validation and Internal Audit departments.

Crisis simulations and other stress tests for ICAAP and ILAAP purposes are carried out several times a year and cover both the regulatory and economic perspectives. In accordance with regulatory requirements, the annual exercise carried out in April 2021, based on end-2020 figures, has been transmitted to national supervisors. 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 that are part of the RAF.

Litigation

Like many financial institutions, Dexia Crédit Local is involved as a defendant in several litigation cases and investigations. Unless otherwise indicated, the status of these litigation and investigations as at 31 December 2021 is based on the information available to Dexia Crédit Local at that date.

On the basis of this information, other litigation and investigations in which a Dexia Crédit Local Group entity is named as a defendant are either not expected to have a material impact on Dexia Crédit Local's financial position or it is too early to assess precisely whether or not they may have a material impact.

The Dexia Crédit Local's consolidated financial statements reflect the consequences, as assessed by the bank on the basis of the information available to it at the date mentioned above, of the main litigation and investigations which may have a material impact on Dexia Crédit Local's financial position, results or activities and provisions have been recorded where necessary.

Details of litigation in which Dexia Crédit Local or an entity of the Dexia Crédit Local Group is named as a defendant are provided in Note 3.6 to the consolidated financial statements in this annual report.

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

Share capital and number of shares

As at 31 December 2021, the share capital of Dexia Crédit Local amounted to EUR 279,213,332. It is divided into 279,213,332 shares with a nominal value of EUR 1.00. Each share gives a right to one vote and none is subject to pledge. To date, there is no other security giving access to the capital of Dexia Crédit Local.

Shareholding structure

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

Dividends paid during the past five years

No dividends have been paid in respect of the past five years and the Board of Directors will propose at the next shareholders' meeting that no dividend be paid in respect of 2021.

As at 31 December	2017	2018	2019	2020	2021
Capital (in EUR)	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
Total number of shares	279,213,331	279,213,331	279,213,331	279,213,331	279,213,331
o/w Dexia	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*
o/w Individual investors (directors)	*1*	*1*	*1*	*1*	*1*

Prudential equity and solvency

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

Prudential requirements applicable to Dexia Crédit Local with regard to solvency

Requirements for 2021

On 7 January 2021, the ACPR informed Dexia Crédit Local that, in the absence of significant changes in its risk profile and in order to take into account the exceptional circumstances created by the health crisis, the total capital requirement of 11.25% on a consolidated basis was maintained in 2021. This level includes a minimum capital requirement of 8% (Pillar 1) and an additional 3.25% capital level (P2R - Pillar 2 requirement) to be covered by at least 56.25% Common Equity Tier 1 and 75% Tier 1 capital.
On 5 February 2021, the ACPR also confirmed to Dexia Crédit Local the provisional maintenance of a tolerance which allows it to deduct from its CET1 regulatory capital the economic impact of remedying a breach of the large exposure ratio for a sovereign exposure.

Requirements for 2022

On 29 October 2021, the ACPR informed Dexia Crédit Local that the total capital requirement of 11.25% on a consolidated basis was maintained in 2022. This level includes a minimum capital requirement of 8% (Pillar 1) and an additional capital level of 3.25% (P2R - Pillar 2 requirement) to be covered at least by 56.25% by Common Equity Tier 1 and 75% by Tier 1 capital.
The temporary easing measures taken by the ECB in April 2020, involving the relaxation of the capital conservation buffer and additional capital (P2G - Pillar 2 guidance), remain applicable in 2022. The High Council for Financial Stability has also decided to maintain the level of countercyclical buffer at 0% in 2022. The Bank of England has announced an increase in the countercyclical buffer to 1% from 13 December 2022.
Including the impact of the countercyclical buffer on UK exposures, estimated at 0.5%, Dexia Crédit Local's capital requirement will amount to 11.25% in the first three quarters of 2022 and 11.75% in the fourth quarter of 2022.
On 5 February 2021, the ACPR also confirmed to Dexia Crédit Local the maintenance, until 30 June 2022, of a tolerance which allows it to deduct from its Common Equity Tier 1 regulatory capital the economic impact of remedying a breach of the large exposure ratio for a sovereign exposure.

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),
– after deduction of intangible assets, goodwill, accrued dividends, own shares, the amount exceeding thresholds provided with regard to deferred tax assets and for holding shares and interests in credit or financial institutions, irrevocable payment commitments (IPC) to resolution funds and other guarantee funds, the amount for persistent breaches of the large exposure constraint[1], assets from defined benefit pension funds and elements subject to prudential filters (own credit risk, Debit Valuation Adjustment, cash flow hedge reserve, Prudent Valuation) and additional prudential provisions.

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

In accordance with regulatory requirements and applicable transitional provisions:

- Dexia Crédit Local uses the approach to mitigating the impact of the new IFRS 9 provisioning model on prudential capital. This is spread over five years. The effect of increasing provisions for expected credit losses in view of the application of the IFRS 9 accounting standard was 70% in 2020 and 50% in 2021 (Static phase-in).
- Certain adjustments on subordinated and hybrid debt are taken into consideration in the calculation of capital in order to reflect the loss-absorption characteristics of these instruments.

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

As at 31 December 2021, the total capital of Dexia Crédit Local amounted to EUR 5.5 billion, against EUR 5.9 billion as at 31 December 2020. This decrease is mainly due to the negative net result of the year (EUR -277 million).

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

- the theoretical loss amount corresponding to the remediation of non-compliance with the large exposure ratio which amounted to EUR -74 million[2]. As Dexia Crédit Local has a significant level of concentration of certain exposures, which could be further accentuated with the decrease of the portfolio, the bank has taken measures to protect its large exposures, in particular via insurers.
- the amount of irrevocable payment undertakings (IPC) to resolution funds and other guarantee funds, which amounted to EUR -68 million.

Furthermore, following the on-site inspection on credit risk carried out in 2018, the ECB issued a number of recommendations. As a consequence, Dexia Crédit Local deducted from its prudential equity an amounted of EUR -34 million as a supplement for specific provisions.

The additional value adjustments taken into account in the regulatory capital within the framework of the Prudent Valuation Adjustment (PVA) amounted to EUR -173 million as at 31 December 2021, against EUR -190 million as at 31 December 2020. It should be noted that the increase of the diversification factor authorised by the CRR Quick Fix validated by the European Parliament in June 2020, which had generated a positive impact of EUR +59 million as at 31 December 2020, was not renewed in 2021.

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

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

PRUDENTIAL EQUITY

(in EUR million)	31/12/2020	31/12/2021
Total Capital	**5,863**	**5,545**
Common Equity Tier 1 Capital	**5,807**	**5,489**
Core shareholders' equity, of which:	6,095	5,823
Gains and losses on financial instruments directly recognised in equity, eligible at a prudential level	*(135)*	*(67)*
Translation differences – Group	*38*	*38*
Mitigation of the effect of the increase of expected credit losses following the application of IFRS 9 (70% in 2020, 50% in 2021) (Static phase-in)	123	88
Dynamic phase-in (Covid-19 measures)	152	0
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)	10	0
Items to be deducted		
Intangible assets and goodwill	*(21)*	*(7)*
Debit valuation adjustment	*(49)*	*(37)*
Prudent Valuation	*(190)*	*(173)*
Deduction of irrevocable payment commitments to resolution funds and other guarantee funds	*(59)*	*(68)*
Assets from defined benefit pension funds	*(1)*	*(1)*
Deduction for persistent breaches of large exposure constraint	*(107)*	*(74)*
Additional prudential provisions	*(41)*	*(34)*
Additional Tier 1 capital (hybrid)	**11**	**5**
Subordinated debt	11	5
Additional Tier 2 Capital	**45**	**51**
Subordinated debt	45	51
Of which additional Tier 1 reclassified (hybrid)	*45*	*51*

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

No hybrid debt repurchase was carried out during 2021, in line with the ban imposed by the European Commission and communicated by Dexia on 24 January 2014[1]. As at 31 December 2021, Dexia Crédit Local's hybrid Tier 1 capital is therefore composed of EUR 56.25 million nominal value of perpetual non-cumulative securities issued by Dexia Crédit Local: these shares (FR0010251421) are listed on the Luxembourg Stock Exchange. From this amount, EUR 5 million were eligible as additional Tier 1.

As at 31 December 2021, the amount of Dexia Crédit Local's additional equity (Tier 2 Capital) amounted to EUR 51 million, including reclassified hybrid debts.

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

Risk-weighted assets

As at 31 December 2021, risk-weighted assets amounted to EUR 20.1 billion against EUR 23.7 billion at the end of December 2020, of which EUR 18.5 billion for credit risk, EUR 986 million for market risk and EUR 600 million for operational risk. The EUR 3.6 billion decrease in credit risk-weighted assets during the year is mainly attributable to the sustained pace of reduction of the asset portfolio.

RISK-WEIGHTED ASSETS

(in EUR million)	31/12/2020	31/12/2021
Credit risk	22,061	18,529
Market risk	1,031	986
Operational risk	600	600
Total	23,692	20,115

Solvency ratios

Dexia's Common Equity Tier 1 ratio was 27.3% as at 31 December 2021, compared to 24.5% at the end of 2020. Dexia's Total Capital Ratio amounted to 27.6%, against 24.7% at the end of 2020, a level higher than the minimum of 11.25% required for the year 2021 by the Supervisory Review and Evaluation Process (SREP).

SOLVENCY RATIOS

	31/12/2020	31/12/2021
Common Equity Tier 1 Ratio	24.5%	27.3%
Total Capital Ratio	24.7%	27.6%

Liquidity management

After a year 2020 strongly impacted by the Covid-19 pandemic, the stabilisation of the markets continued in 2021, thanks in particular to the support of central banks. In these favourable conditions, Dexia Crédit Local maintained a sustained execution dynamic of its annual long-term funding programme, completed in July 2021. Five public transactions were launched in euros, pounds sterling and US dollars, for a total amount of EUR 5 billion. All attracted strong investor interest.

The strategies of diversifying funding sources, in terms both of instruments and of currencies, and of maintaining a comfortable liquidity cushion, proved to be relevant. In addition, they allowed the Group flexibility in the execution of its refinancing programme and increased its resilience to stressed market conditions.

Overall, the outstanding amount of funding was down by EUR 7.7 billion compared to 31 December 2020, to EUR 61.6 billion as at 31 December 2021. This evolution is due to the reduction of the asset portfolio and cash collateral (EUR -3.9 billion), of which the net amount was EUR +19 billion as at 31 December 2021, following the rise in interest rates.

In terms of funding mix, secured funding amounted to EUR 11.7 billion as at 31 December 2021 and State-guaranteed funding represented 78% of outstanding funding, i.e. EUR 48 billion. Dexia Crédit Local's liquidity reserve amounted to EUR 13.1 billion, of which EUR 11.1 billion in cash. Dexia Crédit Local has no longer had access to European Central Bank refinancing since 1 January 2022 and this has mechanically reduced the proportion of reserves which can be mobilised in the event of stress. The eligible securities were partly used to raise secured funding and partly deposited on the EUREX and RepoClear platforms to reconstitute liquidity reserves.

At the beginning of 2022, Dexia Crédit Local is closely monitoring the geopolitical situation in Eastern Europe and its impact on the financial markets. At this stage, Dexia Crédit Local has not observed any deterioration on the short-term guaranteed debt market or on the secured funding market. Moreover, Dexia Crédit Local has a liquidity reserve calibrated to enable it to cope with stressed market conditions.

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

Information on internal and external control

Internal Control

Principal characteristics of the internal control system

Nature and objectives of internal control

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

The Group's internal control charter defines the fundamental principles governing the internal control function. Approved by the Board of Directors on 19 November 2015, this charter applies to all Group entities.

The control function contributes to:

• the effectiveness of the risk management process: the aim of the internal control function is to guarantee that the bank's activities are conducted with a degree of control over risks compatible with the level of risks accepted by the Board of Directors;

• compliance with laws and regulations: internal control contributes to guaranteeing that Dexia fulfils its legal and regulatory obligations;

• the effectiveness and security of operational processes: internal control contributes to the proper functioning of operational processes and the effectiveness of operations, the integrity of information and compliance with decisions taken;

• the accuracy of accounting and financial information: internal control contributes to giving an assurance of the pertinence, accuracy, regularity, exhaustiveness and transparency of the production of accounting and financial information.

General architecture of the function

The general architecture of the internal control function of the Dexia Group is based on organisation at three levels:

• **The first level of control** is performed by each staff member and their superiors, in accordance with responsibilities that have been expressly delegated to them, procedures applicable to the activity they perform, and with instructions provided to them by their superiors;

• **The second level of control** is performed by specialised functions, independent from the activities controlled or members of staff who are independent from the activities controlled;

• **The third level of control** is performed by the Dexia Group Audit activity line, the task of which is, through periodic checks, to ensure that there is efficient and effective performance of both of the levels of control defined above, within the holding company and all of its entities.

The main internal control participants

The participants concerned by internal control are as follows:

• **Staff members and their direct managers** are responsible for defining and implementing first level controls, as an integral part of their activity, in accordance with regulations. The heads of each activity line are responsible for defining and updating a body of procedures adapted to the complexity and risks associated with their activity.

• **Permanent Control** has the role of challenging key first level controls, implementing second level controls and collecting the results of key second level controls implemented by other specialised functions (for instance: Accounting Control, Validation, Credit Model Control).

• **Compliance** ensures that all the regulations in the fields entrusted to it by the compliance charter adopted by the Board of Directors are applied on a permanent basis and do not, through their absence or non-application, result in the company running risks, either of administrative, disciplinary, financial or even reputational penalty.

• **Internal Audit** considers all the objectives of the organisation, analyses the risks liable to compromise the achievement of those objectives and periodically assesses the robustness of the controls put in place to manage such risks.

The independence of the internal control functions

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

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

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

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

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

(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

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, 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 activity line composed of the Audit department of Dexia and the Audit departments of the entities.

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

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

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

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

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

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

Management of the Audit activity line

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

The Audit department of Dexia/Dexia Crédit Local is responsible for:

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

Relations with the supervisory authorities and the statutory auditors

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

General overview of activity during the year 2021

In 2021, Internal Audit's assignments covered all of the Group's activity lines, as illustrated below: Assets (Project Finance), Funding and Markets (Market Risk mandates), Risk (ICAAP), Finance (Accounting Control), General Secretariat (Insurance Management), Operations and Information Systems (Operations and Payment Systems). The head office audit services assisted the local audit team of Dexia Crediop, which is now the only entity with its own audit team, in carrying out an assignment relating to IT security and continuity

The Compliance function

The Compliance function is an independent function within the Dexia Crédit Local Group. It carries out its activities without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality and its objectivity. Compliance is an integral part of the internal audit mechanism of credit institutions and investment companies. The Compliance department at Dexia Crédit Local ensures the coherence and effectiveness of managing the risks of noncompliance within Dexia. The Compliance fields are as follows:

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

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

- It analyses legal and regulatory developments in order to anticipate and assess possible consequences on the activities of Dexia and Dexia Crédit Local. For the areas covered by Compliance, It provides an interpretation of national and international legislation and regulations and ensures that these provisions are included in the policies, procedures and other documents of the institution;
- It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial products and the impacts in terms of evolution of the Group's scope;

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

• It provides assistance to business lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct and practical guides in order to ensure compliance with regulations and external or internal norms;
• It develops and provides compliance training programmes, adapted to the needs of business lines, promoting an appropriate compliance culture and awareness and understanding of standards, procedures and lines of conduct to be applied;
• To the extent that it is required by local regulations, it communicates with the financial supervisory authorities or any other competent authority about any suspect incident or transaction;
• It regularly presents its activities and reports on the status of any major shortcomings to the Management Board, the Board of Directors, the Audit Committee and the Risk Committee.

Organisational structure

The Chief Compliance Officer of the Dexia Group and of Dexia Crédit Local reports to the Secretary General as well as to the Chief Risk Officer with specific regard to the second-level controls performed periodically by Compliance. An escalation right enables the Chief Compliance Officer automatically to include an item on the agenda for meetings of the Management Board if circumstances so demand and to report any significant incident directly to the Chairman of the Board of Directors of Dexia and/or to members of the Audit Committee as well as the supervisors.
The Chief Compliance Officer ensures that there is a consistent and effective policy within all the entities of the Dexia Group. Each regulated entity has a Compliance Officer in charge of application of the appropriate policy within their entity. These Compliance Officers report operationally to the Chief Compliance Officer.
In accordance with the regulations, the Dexia Compliance department also has responsibility for the implementation of the mechanism to combat money laundering and terrorism financing.
As for data protection and then the entry into force of the General Data Protection Regulation (GDPR), the Compliance department has, in collaboration with the business lines, identified and listed all the processing which involves personal data, updated and redrafted the internal procedures relating to the rights of the persons concerned and the warning of breaches, and 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, closer to the operational risk management function, allows a tighter association of the review of controls and risk assessment of the Group's main processes. Other specialised units also carry out second-level controls in the areas of accounting, the validation of (credit, market and transversal) models and the follow-up of the credit rating processes.
In 2021, the Accounting and Regulatory Control function of the Finance activity line, implemented its control plan, which includes recurring closing work, process reviews and the control of exceptional operations.
Permanent Control relies on a control plan which consists of a selection of first level and second level controls. The plan covers the processes of head office, the entities and the main important or critical outsourced processes. First level controls to be integrated in this plan are proposed by the network of decentralised correspondents within operational units, departments, entities and service providers. They are reviewed by the Permanent Control department which may, as the case may be, play a prescriptive role. Permanent Control also designs second level controls which it is responsible for realising. The review of the Permanent Control plan is determined on the basis of the mapping of processes, the analysis of corresponding operational risks, operational incidents gathered and the recommendations of internal audit, the statutory auditors and supervisory authorities.
At a consolidated level for all entities and service providers, the Permanent Control department sees to the quarterly performance of the controls of the plan, ensuring a second reading of the proper implementation of controls and making a critical analysis of the results having regard to the risks identified. Permanent Control may ask for any substantiation of the differences observed and ensures the implementation of the necessary action plans, enabling malfunctions to be remedied.
The Permanent Control department is coordinated with other internal control actors and uses a tool and risk references and processes common to the entire Group. It receives the result of the second level controls performed by other independent control functions. The Permanent Control department and the other specialized control units notably account for the result of their controls to the Chief Risk Officer, the Management Board and the Risk Committee.

Control and monitoring of the internal control system

The Audit Committee and the Board of Directors

The Board of Directors is responsible for defining the bank's general strategy and risk appetite. It is also ultimately responsible for the management of risks and relations with shareholders. As for internal control, this includes:
• Assessing the introduction of independent control functions;
• Monitoring the correct evaluation of the risks run by the bank and the proper balance between the strategy and the human and financial resources allocated to ensuring the control of such risks;

• Examining the policies in place to ensure compliance with laws and regulations, including regularly examining the Compliance Charter, the Internal Audit Charter and the remuneration policy;
• Examining reports from internal control presented at least once per annum by the Internal Auditor (including the internal audit plan) and by the Chief Compliance Officer, Head of Permanent Control (including the results of second level controls).

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

During the 2021 fiscal period, the Audit Committee implemented at Dexia level was delegated to assist the Board of Directors in carrying out its oversight of the management of Dexia Crédit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and is also responsible for managing relationships with the Statutory Auditors.

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

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

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

The Management Board

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

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

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

The financial statements

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

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

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

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

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

Dexia Crédit Local statutory financial statements

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

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

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

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

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

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

Dexia Crédit Local consolidated financial statements

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

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

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

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

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

Publication of the Dexia Crédit Local financial statements

The financial statements are then incorporated into the annual report.

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

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

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

Management information

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

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

The majority of financial indicators and in particular those necessitating a crossing or aggregation of data from different origins, the breakdown of figures available globally, or a reprocessing of accounting data in relation to management parameters, are provided by the Financial Controlling department.
These indicators are elaborated on the basis of information processed directly from local IT systems, and those of international entities. It is summarised monthly in a report to the Dexia Management Board.
In the French and foreign entities with their own management control team, the monitoring of financial indicators and the analysis of results are guided locally in accordance with the same standards and the same principles, depending on the size, organisation and systems of each entity. These instructions are common throughout the Dexia Group.
The whole is guided, monitored and supervised by the Financial Controlling department, which provides all the entities with standardised and secure collection tools, to make reliable and to optimise the information collection mechanism.
Finally, the department aggregates everything. The information aggregation process is performed in parallel with the consolidation process guided by the Accounting functions. At each stage of the establishment of consolidated data, consistency controls are performed, based on the reconciliation of analytical and accounting information. This reconciliation is a vital element of internal control. It is completed by a systematic analytical review of the principal items.

Risk inventory

Banking activity generates four major types of risks: credit risk, market risk, transformation risk and operational risk (including legal risk).
The monitoring of all of these risks is detailed in the chapter 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 of the Dexia Group.
They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties, they analyse the accounting procedures and assess the internal control systems necessary for reliably establishing the financial statements. They issue instructions to the statutory auditors of the entities and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Lastly, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial position and results of the company and that the information given in the notes is appropriate. They issue an opinion on the Group's statutory and consolidated financial statements.
By virtue of Article 22 of the company's articles of association, the shareholders' meeting appoints two principal statutory auditors and two substitute statutory auditors meeting the conditions provided by the law and the regulations.
The auditors are appointed for six financial years, their office expiring after the shareholders' meeting dealing with the financial statements for the sixth financial year.
The auditors have the functions and powers granted to them by the law. Their remuneration is set in accordance with the applicable regulatory provisions.
The mandates of the principal statutory auditors and the substitute statutory auditors were renewed by the shareholders' meeting held on 19 May 2020 for a term of six financial years to expire at the end of the shareholders' meeting dealing with the financial statements for the financial year which closes on 31 December 2025:
- Principal statutory auditors: Mazars and Deloitte & Associés;
- Substitute statutory auditors: Mr Charles de Boisriou and BEAS.

Auditors' remuneration

This table gives a summary of the remuneration paid to the statutory auditors for their services in 2021 for Dexia Crédit Local.

Remuneration of Statutory Auditors for 2021		
(in thousands of EUR)	Mazars	Deloitte
Certification of statutory and consolidated financial statements – Dexia Crédit Local in Paris	1,089	1,070
Certification of statutory and consolidated financial statements – Other entities	219	84
Other services	7	7

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

Declaration of corporate governance

Declaration of corporate governance

Reference code

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

Shareholders' meetings

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

The Board of Directors

Composition

Dexia Crédit Local also refers, in addition to the aforementioned provisions, to the provisions of its parent company (Dexia) regarding corporate governance as well as the operation of the Board of Directors.
The task of the Board of Directors is to determine the orientations of the activity of Dexia Crédit Local and to ensure their implementation. Its action is guided by the corporate interest, which is considered having regard for its shareholders, clients and staff members. There are no potential conflicts of interest between the duties, with regard to Dexia Crédit Local, of any member whatsoever of the Board of Directors and their private interests and/or other duties.

As at 31 March 2022, the Board of Directors is composed of fifteen members chosen for their skills and the contribution they can make to the company's administration. Mr Gilles Denoyel has been Chairman of the Board of Directors since 16 May 2018. He organises and directs the work of the Board, ensures the proper functioning of the corporate bodies of Dexia Crédit Local and participates in the company's relations with the institutional authorities.

Mr Pierre Crevits was appointed Director and Chief Executive Officer with effect as at 19 May 2020.
As at 31 March 2022, the composition of the Board of directors of Dexia Crédit Local was as follows:

- Gilles Denoyel, Chairman of the Board of Directors,
- Pierre Crevits, Chief Executive Officer,
- Véronique Hugues, Executive Vice-President,
- Giovanni Albanese, Executive Vice-President,
- Marie-Anne Barbat-Layani, Director,
- Aline Bec, Director,
- Bart Bronselaer, Director,
- Alexandra Serizay, Director,
- Claire Vernet-Garnier, Director,
- Alexandre De Geest, Director,
- Thierry Francq, Director,
- Michel Tison, Director,
- Koen Van Loo, Director,
- Tamar Joulia-Paris, Director,
- Véronique Tai, Director.

The representatives of the Works Council are:
Mrs Muriel Tessot
Mr Gaëtan Labourg, Deputy
Mme Aurélie Labeau in the capacity of representative of the TMB college

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

The question of the diversity of members of the Dexia Crédit Local Board of Directors and the Management Board is dealt with in the Dexia Crédit Local 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 Crédit Local Group's activities and the issues facing the Group,
- the observance by Dexia Crédit Local of the legal requirements regarding the representation of women on the Board of Directors.

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

Representation of women

In accordance with Article L. 22-10-10 (Ord. No. 2020-1142 of 16 September 2020, Article 6, in force on 1 January 2021) of the Commercial Code and in order to comply with the provisions of Article L. 225-17 of the Commercial Code, which requires that the Board be composed with a balanced representation of women and men, on 10 March 2020 the Board of Directors adopted an action plan to avoid any shortcomings in the representation of women on the Board of Directors. The implementation of this action plan is monitored regularly. To date, the Board of Directors is composed of fifteen members, including seven women. The Management Board is composed of six members, including one woman.

Expertise and professional skills

Dexia Crédit Local ensures that the members of the management bodies have the appropriate individual and collective skills for the proper performance of their tasks. It ensures that directors and members of the Management Board together and individually have the professional experience and qualifications necessary to understand the bank's activities and the issues it faces.

On the appointment of new members of the Board of Directors and the Management Board, the Appointments Committee makes an individual assessment during which account is taken of the professional experience, technical skills and training of candidates. The prior approval of the supervisory authorities is also obtained before any appointment, renewal or dismissal of a member of the Management Board or the Board of Directors. Each time a director is appointed, an internal training session is organised so that directors can acquire a good knowledge of subjects specific to the Dexia Group. When necessary, external training is also provided. These training sessions are open to all the company's directors.

The Board of Directors and the Management Board periodically perform self-assessment exercises. The points dealt with are in particular the structure, size, composition and organisation of work (performances and knowledge of members). The collective and individual skills of members of the Management Board, specialised committees and the Board of Directors are also assessed annually. At the end of that assessment and when it proves to be necessary, an inventory of additional skills which might be strengthened on the appointment of new members is also drawn up.

Operation

In accordance with its obligations under the CRD IV Directive, and its transposition into national law, Dexia Crédit Local has introduced procedures and processes necessary for verification of the expertise and professional integrity of directors, responsible executives or staff members and heads of independent control functions. Fulfilment of these obligations involves several departments, with the Human Resources department in charge, on behalf of the Management Board and the Board of Directors, of the process of selection and recruitment, the Compliance department in charge of checking the integrity of candidates, the absence of conflicts of interest resulting from other posts or mandates and the General Secretariat in charge, on behalf of the Board of Directors, of the implementation of the selection process for directors, the procedures for verifying the suitability, competence and availability of candidate directors and relations with the regulatory and supervisory authorities. This verification, which is carried out at the time of the candidate's recruitment, is assessed annually.

The Internal Rules, which are among the documents which can be consulted at the company's registered office, in particular stress the importance of their active participation in the work of the Board. They also state that members of the Board of Directors are considered to be persons performing sensitive functions and therefore subject to the strictest obligations concerning transactions involving Dexia securities. Any transaction carried out by executive officers on Dexia securities must be reported in advance to the Compliance Officer of Dexia Crédit Local and his authorisation obtained.

The Board of Directors meets at least once per quarter. In 2021, it met eleven times, with a very satisfactory attendance rate.

The Chairman of the Board of Directors and the Chief Executive Officer provide members of the Board of Directors with all information, in particular of a strategic nature, necessary for the proper performance of their functions.

Prior to a meeting, directors receive an agenda as well as a file containing notes or documents relating to the agenda.

Directors are appointed in accordance with the law and the articles of association. At meetings of the Board, the Chief Executive Officer presents the activity and the financial statements for the past period. The Board also recurrently examines the work of the Audit Committee, the internal control and the risk monitoring.

Activities of the Board of Directors

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

- Analysis and monitoring of the impacts of the Covid-19 pandemic (impacts on solvency, liquidity and operational organisation)
- Treatment of l*arge exposures*
- Extension of the State guarantee
- Contribution to the Single Resolution Board
- Reform of the reference indices (IBOR)
- XBRL-ESEF reporting
- Renewal of the authorisation for bond issues
- Group liquidity, long-term financial projections VLTM, ICAAP
- Presentation of the long-term funding activity
- Monitoring the implementation of the asset disposal plan *(remedial deleveraging plan)*
- Strategic orientations: state of play, feasibility study and outlook
- Updating the Quarterly Risk Report, the risk report (Pillar 3), the Risk Appetite Framework, the operational risk policy
- Updating the audit and compliance policies
- Derivatives action plan
- Governance: Board succession plan, appointment, resignation and reappointment of directors, Executive Vice-Presidents and self-assessment exercise of the Board of Directors and the specialised committees.

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

Specialised committees

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

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

The Audit Committee

The Audit Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met six times in 2021.
The Audit Committee is composed of non-executive directors, among which a majority of members are independent, including the committee chairman, in accordance with the provisions of Belgian law.
The composition of the committee as at 31 March 2022 is as follows:
- Alexandra Serizay, independent director and chairman of the committee,
- Bart Bronselaer, director,
- Tamar Joulia-Paris, independent director,
- Thierry Francq, director,
- Michel Tison, independent director.

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

The Risk Committee

The Risk Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met eight times in 2021.
The Risk Committee is composed exclusively of non-executive directors and at least one independent director who have sufficient skills in the fields of activity of the Dexia Group to enable them to understand the Group's strategy and the level of its risk tolerance.
The composition of the committee as at 31 March 2022 is as follows:
- Bart Bronselaer, director and chairman of the committee,
- Marie-Anne Barbat-Layani, director,
- Alexandre De Geest, director,
- Tamar Joulia-Paris, independent director.

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

Joint meeting of the Audit and Risk Committees

The joint Audit and Risk Committee established at Dexia Board of Directors level and competent for Dexia Crédit Local met three times in 2021.
The Audit Committee and the Risk Committee meet as often as necessary to deal with common matters, on convocation by the Chairman of the Board of Directors, or on convocation by the chairman of the Audit Committee or the Risk Committee as the case may be.
The chair of these meetings is taken by the chairman of the Audit Committee.

The Remuneration Committee

The Remuneration Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met four times in 2021.
The Remuneration Committee is composed of non-executive directors and at least one independent member within the meaning of Belgian law. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members.
The Remuneration Committee must have the expertise necessary pertinently and independently to judge remuneration policies and practices.
The composition of the committee as at 31 March 2022 is as follows:
- Michel Tison, independent director and chairman of the committee,
- Gilles Denoyel, independent director,
- Claire Vernet-Garnier, director,
- Alexandre De Geest, director.

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

The Appointments Committee

The Appointments Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met four times in 2021.

The Appointments Committee is composed of non-executive directors and at least one independent member within the meaning of Belgian law. The Chief Executive Officer and the Head of Human Resources attend meetings, without being members. The Appointments Committee must have the necessary expertise in appointments policy, appropriately assessing the skills and fields of expertise of people it appoints within the Dexia Group.

The composition of the committee as at 31 March 2022 is as follows:

- Gilles Denoyel, independent director and chairman of the committee,
- Thierry Francq, director,
- Koen Van Loo, director,
- Michel Tison, independent director.

The Appointments Committee prepares decisions of the Board of Directors relating to:

- proposals for the appointment or renewal of directors by the Board of Directors to the shareholders' meeting, and proposals to co-opt directors. On the renewal of a director's mandate, the Appointments Committee assesses the director's participation in the operation of the Board of Directors and reports with a recommendation. For any new appointment, before considering the approval of the candidature, it ensures that the Board of Directors has, in accordance with internal procedures, received sufficient information on the candidate enabling it to assess whether that candidature meets the general profile of directors and the required skills;
- determination of independence criteria enabling a director to be considered "independent";
- the qualification of an existing or new member of the Board of Directors as an independent director.

– In general, the Committee ensures that decision-making within the Board of Directors is not carried out by one or more persons in a manner prejudicial to the company.

– Within the scope of its duties, the Committee adheres to the recommendations, circulars and other international, French and Belgian regulations on remuneration and corporate governance.

The Management Board

The Management Board is headed by the Chief Executive Officer, appointed by the Board of Directors. The Board of Directors determines the mode of operation of the Management Board in the appointment of the Chairman and at any time it deems appropriate.

Subject to the powers expressly attributed by the law to shareholders' meetings and the Board of Directors and within the limits of the corporate object, the Chief Executive Officer has the most extensive powers to act in any circumstance on behalf of the company. He represents the company in its relations with third parties. The Chief Executive Officer may be dismissed at any time by the Board of Directors, under the conditions set by the law. The age limit provided for performance of the functions of Chief Executive Officer is 70 years. If that age limit is exceeded, then he or she shall be deemed to have resigned automatically at the end of the next meeting of the Board of Directors.

On a proposal from the Chief Executive Officer, the Board of Directors may appoint one or more natural persons to assist the Chief Executive Officer, with the title of Executive Vice-Presidents. The number of Executive Vice-Presidents may not exceed five. In accordance with Article L. 225-56, II, paragraph 2 of the Commercial Code, the Executive Vice-Presidents have the same powers as the Chief Executive Officer with respect to third parties.

Mr. Pierre Crevits was appointed by the Board of Directors on 19 May 2020 as Chief Executive Officer, effective manager of the company, with the broadest powers to act in all circumstances on behalf of the company. Mr Pascal Gilliard was appointed by the Board of Directors on 25 November 2021 as Deputy Chief Executive Officer and Head of the Assets Division, with effect from 1 December 2022. He succeeds Mr Guy Cools.

As at 31 March 2022, the Management Board is composed as follows:

- Pierre Crevits, Chief Executive Officer;
- Véronique Hugues, Executive Vice-President and Chief Financial Officer;
- Giovanni Albanese, Executive Vice-President and Chief Risk Officer;
- Benoît Debroise, Executive Vice-President and Head of Funding and Markets;
- Pascal Gilliard, Executive Vice-President and Head of Assets;
- Patrick Renouvin, Executive Vice-President and Chief Operating Officer.

Remuneration Report

Remuneration granted to directors in 2021

Dexia's ordinary shareholders' meeting decided, in 2006, to allocate to directors, for the exercise of their mandates, an annual global maximum envelope of EUR 1,300,000, with effect as at 1 January 2005.

The shareholders' meeting also conferred on the Board of Directors the power to determine the practical terms and conditions of this remuneration, consisting of a fixed fee and attendance fees, and its allocation.

The remuneration of non-executive directors (excluding the Chairman of the Board of Directors) is composed of a fixed amount of EUR 3,000 per quarter (consolidated at the level of the Board of Dexia Crédit Local) and a variable amount of EUR 2,000 for meetings of the Dexia and Dexia Crédit Local Boards, EUR 1,000 for meetings of the Audit Committee and the Risk Committee and EUR 750 for meetings of the Appointments Committee and the Remuneration Committee. The Chairman of the Audit Committee and the 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 at 1 January 2021, for meetings of the Board of Directors of Dexia organised concurrently with the Board of Dexia Crédit Local (or not concurrently 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 also formally noted that meetings lasting less than one hour are not remunerated. On 24 March 2022 the Board of Directors reviewed recent measures regarding board remuneration and decided to review the remuneration of the joint committees and to provide, with effect from 1 January 2022, for a remuneration of EUR 1,500 for the committee chairman and EUR 1,000 for the members.

If the overall annual limit of EUR 1,300,000 is reached, the additional meetings 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 granted to the Chairman of the Board of Directors

Since 2019, and taking into account the evolution of the activities and the workforce of the Dexia Group, the remuneration of the Chairman of the Board of Directors is paid half by Dexia and half by Dexia Crédit Local. In order to ensure that the total cost to the Group (including social security charges, employer's contributions and other contributions) does not increase, the Chairman has accepted that his gross remuneration be reduced from EUR 250,000 to approximately EUR 195,000, 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 199,451: EUR 45,000 in the form of attendance fees (of which EUR 30,000 paid by Dexia Crédit Local and EUR 15,000 paid by Dexia) and EUR 154,451 assimilated to salary (of which EUR 68,000 paid by Dexia Crédit Local and EUR 86,451 paid by Dexia).

Remuneration granted to the Chief Executive Officer

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

Coverage of social security contributions for certain directors

In Belgium, any director of Dexia is considered a self-employed person and must therefore join a fund for self-employed persons and, in principle, pay social contributions. Some directors already benefit from social protection under another system and could therefore be required to pay contributions in Belgium simply because of their mandate at Dexia, without benefiting in return from more extensive social benefits.
This is the case, for example, of the director residing in Belgium who is subject to the system of salaried employees or the system applicable to civil servants on a principal basis, and who is obliged to contribute as a self-employed person on a supplementary basis, due to the mandate exercised, without benefiting from increased social protection in relation to that which he or she already benefits from due to his or her principal status.
In order to compensate for the social security contributions paid out of pocket by directors in this situation (which is reviewed each year to take into account changes in status), the Ordinary Shareholders' Meeting of 10 May 2006 decided that Dexia would pay the social security contributions and expenses related to the exercise of the mandate of director of Dexia and consequently raised the ceiling on directors' remuneration from EUR 700,000 to EUR 1,300,000.
Any director who meets the prescribed conditions may benefit from this coverage. In 2021, Dexia paid the total sum of EUR 35,544.08 for the social contributions of directors in this situation for the year 2021.

Remuneration paid to the Management Board in 2021

The executive officers of Dexia Crédit Local referred to in this section are the Chief Executive Officer and the Executive Vice-Presidents of the company.

Number of meetings and remuneration paid to non-executive directors in 2021

	Dexia Crédit Local Board (11 meetings)	Dexia Board (10 meetings)	Risk Committee (8 meetings)	Audit Committee (6 meetings)	Joint Risk and Audit Committees (3 meetings)	Appointments Committee (4 meetings)	Remuneration Committee (4 meetings)	Total Dexia (gross amount in EUR)	Total Dexia Crédit Local (gross amount in EUR)	Overall Total (gross amount in EUR)
Gilles Denoyel(1)	11(2)	10(2)	N/A	N/A	N/A	4(2)	4	101,451	98,000	**199,451**
Tamar Joulia-Paris	11	10	8	6	3	N/A	N/A	25,250	30,000	**55,250**
Bart Bronselaer	11	10	8(2)	6	3	N/A	N/A	29,250	30,000	**59,250**
Alexandra Serizay	11	10	N/A	6(2)	3(2)	N/A	N/A	20,250	30,000	**50,250**
Michel Tison	11	10	N/A	6	3	4	4(2)	23,250	30,000	**53,250**
Alexandre De Geest	11	10	8	N/A	3	N/A	4	22,250	30,000	**52,250**
Thierry Francq(5)	11	10	N/A	5	1	4	N/A	17,750	30,000	**47,750**
Koen Van Loo	11	10	N/A	N/A	N/A	4	N/A	12,000	30,000	**42,000**
Marie-Anne Barbat-Layani(3)(4)	5	5	5	N/A	2	N/A	N/A	11,500	19,000	**30,500**
Claire Vernet-Garnier(4)	9	9	N/A	N/A	N/A	N/A	3	10,250	26,000	**36,250**
Aline Bec	11	N/A	N/A	N/A	N/A	N/A	N/A	0	30,000	**30,000**
Véronique Tai	11	N/A	N/A	N/A	N/A	N/A	N/A	0	30,000	**30,000**

(1) Chairman of the Board of Directors. The remuneration of the Chairman is composed of EUR 45,000 in the form of attendance fees (of which EUR 30,000 paid by Dexia Crédit Local and EUR 15,000 paid by Dexia) and EUR 154,451 assimilated to salary (of which EUR 68,000 paid by Dexia Crédit Local and EUR 86,451 paid by Dexia).
(2) Chairman of the Board as at 31 December.
(3) Co-opted on 29 April 2021.
(4) The payment of directors' fees to representatives of the French State is governed by Article 6 of Order 2014-948 of 20 August 2014.
(5) The remuneration of Mr Th. Francq is paid as follows: 15% to the French Treasury and 85% to Mr. Th. Francq.

Mr Pierre Crevits, Chief Executive Officer, was not however remunerated by Dexia Crédit Local for his mandate within the company. He is in fact remunerated by Dexia in his capacity as a member of its Management Board. Mr. Guy Cools, Executive Vice-President, was not remunerated either for his mandate within Dexia Crédit Local but by Dexia Financial Products Services LLC for his functions exercised within the US entities of the Dexia Group. However, in accordance with Article L.225-102-1 paragraph 2 of the Commercial Code, remuneration paid to executive officers by another Group entity must also be mentioned in this chapter.

Composition of the remuneration

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

Consequently, no variable remuneration was or will be granted for the year 2021 to the Chief Executive Officer and the Executive Vice-Presidents.

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

It is important to stress that the differences of sometimes significant sums (in particular on pensions) do not correspond to notable differences in the salary but to various levels of deductions for legal or contractual schemes depending on the country and statuses.

Remuneration for the year 2021

The basic remuneration only consists of a fixed part.

(in EUR)	Entity – Country	Gross basic remuneration
Pierre Crevits	Dexia – Belgium	600,000
Giovanni Albanese	Dexia Crédit Local – France	465,044
Benoît Debroise	Dexia Crédit Local – France	407,378
Véronique Hugues	Dexia Crédit Local – France	450,000
Patrick Renouvin	Dexia Crédit Local – France	450,000
Guy Cools(1)	Dexia Financial Products Services LLC – United States	557,033
Pascal Gilliard(2)	Dexia – Belgium	35,000

(1) This remuneration, paid in US dollars and expressed at the average annual rate of EUR/USD, is paid in respect of his duties as CEO of Dexia Financial Products Services LLC until 30 November 2021. The mandate of Executive Vice-President of Dexia Crédit Local is exercised free of charge.
(2) Executive Vice-President since 1 December 2021.

Supplementary pension schemes

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

Characteristics of applicable supplementary pension schemes

The supplementary pension schemes of the CEO and the Executive Vice-Presidents are defined contribution schemes not generating social liabilities for the company.

For the CEO and the Executive Vice-Presidents present in Belgium, they give a right, on retirement, to the capital constituted by a capitalisation of annual contributions (21%).

For the Executive Vice-President present in the United States, they give a right, on retirement, to the capital constituted by a capitalisation of annual contributions (8%), the latter having a ceiling. For 2021 the remuneration exceeded this contribution ceiling (EUR 245,439).

Amounts paid within the framework of supplementary pension schemes(1)

Annual premiums of EUR 151,346 were paid in 2021. Obligatory contributions paid to pension funds, particularly for French Executive Vice-Presidents, need not be indicated in the table below.

(in EUR)	Entity – Country	Supplementary pension schemes
Pierre Crevits	Dexia – Belgium	126,290
Giovanni Albanese	Dexia Crédit Local – France	-
Benoît Debroise	Dexia Crédit Local – France	-
Véronique Hugues	Dexia Crédit Local – France	-
Patrick Renouvin	Dexia Crédit Local – France	-
Guy Cools	Dexia Financial Products Services LLC – United States	17,999
Pascal Gilliard	Dexia – Belgium	7,057

(1) Defined contribution schemes.

Supplementary death cover, permanent invalidity and medical costs

Collective annual premiums of EUR 104,806 were paid in 2021 for supplementary death cover, permanent invalidity and health costs, the breakdown of which is stated in the table below.

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

(in EUR)	Entity – Country	Death cover, orphans	Invalidity	Health costs
Pierre Crevits	Dexia – Belgium	31,375	16,410	570
Giovanni Albanese[(1)]	Dexia Crédit Local – France	1,370	585	4,492
Benoît Debroise[(1)]	Dexia Crédit Local – France	1,370	585	4,492
Véronique Hugues[(1)]	Dexia Crédit Local – France	1,370	585	4,492
Patrick Renouvin[(1)]	Dexia Crédit Local – France	1,370	585	4,492
Guy Cools	Dexia Financial Products Services LLC – United States	922	481	26,434
Pascal Gilliard	Dexia – Belgium	1,839	939	48

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

Other benefits paid to the Management Board

(in EUR)	Entity – Country	Representation costs	Telephone allowance[(1)]	Car allowance[(1)]
Pierre Crevits	Dexia – Belgium	8,988	180	11,382
Giovanni Albanese	Dexia Crédit Local – France	-	-	1,539
Benoît Debroise	Dexia Crédit Local – France	-	-	4,318
Véronique Hugues	Dexia Crédit Local – France	-	-	-
Patrick Renouvin	Dexia Crédit Local – France	-	-	4,418
Guy Cools	Dexia Financial Products Services LLC – United States	-	-	13,468
Pascal Gilliard	Dexia – Belgium	305	45	252

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

Option plan

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

Severance conditions

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

Departure during the year 2021

Mr Guy Cools left his position as CEO of Dexia Financial Products Services LLC on November 30, 2021. In accordance with the contractual framework in force prior to the granting of the executive mandate, he received an indemnity in excess of 9 months' fixed salary, i.e. an amount in US dollars equivalent to EUR 1,620,459 by virtue of his seniority and the collective agreement applicable to the Dexia Financial Products Services LLC (USA) entity.

Remuneration of persons whose professional activities have a significant impact on the company's risk profile

The remuneration of these staff members is composed of a fixed and possibly a variable part. In accordance with the group remuneration policy, the variable performance-related remuneration will not exceed a ratio of 0.33 times the total annual remuneration (per employee), in accordance with the European Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019. In addition, the variable remuneration may not exceed a ceiling of EUR 50,000 per year. Rules requiring the spreading of variable remuneration or rules requiring payment in shares or other financial instruments will not be applied, as these measures are incompatible with the operation of Dexia, an entity in orderly resolution.

Remuneration of the Head of the Compliance department

The Head of the Group Compliance department falls into the category of staff members whose activity has a significant impact on the Group's risk profile. Her remuneration was reviewed by the Remuneration Committee on 25 March 2021. The level of remuneration is between 40th and 50th place in the Dexia Crédit Local Paris and Dexia scope. The nature and level of remuneration do not compromise the objectivity and independence of the staff member concerned.

Remuneration paid in 2021 to persons whose professional activities have a significant impact on the company's risk profile

Number of staff members	Remuneration			Severance payments			A posteriori adjustment of the variable remuneration
	Fixed	Variable	Benefit in kind	Number of beneficiaries	Amount	Maximum amount	
18	3,988,389	390,841	-	1	368,726	368,726	-

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

None.

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

None.

Mandates and functions exercised by executive officers during the financial year

In application of Article L. 225-102-1 paragraph 4 of the Commercial Code, the mandates and functions exercised by each executive officer of Dexia Crédit Local as at 31 March 2022 are listed below.

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

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

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

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

Mrs Marie-Anne Barbat-Layani
Professional address: 139, Rue de Bercy, 75572 Paris
8 May 1967
- Non-executive director of Dexia
- Secretary General, Ministry of the Economy, Finance and Recovery (MEFR)

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

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

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

Mr Thierry Francq
Professional address: 86, Rue Saint-Lazare – 75009 Paris
30 April 1964
- Non-executive director of Dexia
- Director General Transformation and International Activities of the Covea Group

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

Mr Koen Van Loo
Professional address: Avenue Louise 32 Box 4 – 1050 Brussels (Belgium)
26 August 1972
- Non-executive director of Dexia
- CEO of the Federal Holding and Investment Company (FHIC)
- Director of Relaunch for the Future,
- Director of Tara India Fund
- Director of CIM Capital Restructuring Fund, China
- Director of Belgium Technology Innovative Industry Fund
- Director of Capricorn Fusion
- Director of China Fund,
- Director of Certi-Fed SA
- Director of Sinnolabs Hong Kong Ltd,
- Director of Thaumas NV
- Director of Euroports Group BV

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

The French State represented by Claire Vernet-Garnier
Professional address: 139, Rue de Bercy – 75572 Paris cedex 12
10 February 1984
- Non-executive director of Dexia
- Head of the Finance Pole within the French Government Shareholding Agency (*Agence des participations de l'État* – APE) (France)
- Director of ADP
- Director of SNCF SA
- Director of Radio France SA

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

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

Information on non-regulated agreements

Article L.225-102-1 of the Commercial Code requires companies to indicate in their management report the agreements, directly or through intermediaries, between:
- on the one hand, a director, the Chief Executive Officer, one of the Executive Vice-Presidents of the company or one of its shareholders holding more than 10% of the voting rights, and
- on the other hand, another company in which the company directly or indirectly holds more than 50% of the capital.

Agreements relating to current transactions concluded under normal conditions should not be indicated.

List of agreements concerned within the framework of the Financial Products ("FP") portfolio guarantee

Dexia sold the insurance arm of Financial Security Assurance (FSA) to Assured Guaranty Ltd (Assured). The transaction was finalised on 1 July 2009. The Financial Products (FP) activity of FSA, managed by FSA Asset Management (FSAM), was excluded from the scope of the sale and therefore remains within the Dexia Group. Insofar as FSA is guarantor in various capacities of the liabilities of the FP activity, the sale necessarily implied that Dexia and Dexia Crédit local act as guarantors of the FP assets and liabilities.
Dexia was, in turn, counter-guaranteed by the Belgian and French States for certain assets of the FP activity (FP Guaranteed Assets). This guarantee was approved by the European Commission on 13 March 2009[1]. It is important to note that in 2011, FSAM sold, through Dexia Crédit Local New York (DCLNY), all the remaining FP Guaranteed Assets to third parties so that as at 31 December 2011, there were no longer any FP Guaranteed Assets benefiting from the coverage of

(1) Detailed information relating to these guarantees has been published in Dexia's Annual reports since 2009 (the Annual reports can be consulted on Dexia's website) and more particularly the main provisions of these guarantees are described in the Annual report relating to the financial year 2011 (page 170).

the State guarantee. However, the guarantee continues to exist from a technical point of view although the risks of calling on the guarantee are theoretical.
The agreements referred to below concern the management of FP assets and liabilities held by FSAM and managed in run-off by the Group.
Pledge and Administration agreement, concluded on 30 June 2009, between Dexia, Dexia Crédit Local (DCL), Dexia Banque Belgique, Dexia FP Holdings Inc., FSA Asset Management LLC, FSA Portfolio Asset Limited, FSA Capital Markets Services LLC, FSA Capital Management Services LLC, FSA Capital Markets Services (Caymans) Ltd., Financial Security Assurance Inc. and The Bank of New York Mellon Trust Company, National Association.
1.1 *Dexia Guaranteed Put* agreement, concluded on 30 June 2009 between DCL NY, Dexia and FSAM.
1.2 *Dexia FP Guarantee Reimbursement* agreement, concluded on 30 June 2009 between Dexia, DCL, FSAM and other GIC Business Entities.
1.3 *Dexia Non-Guaranteed Put* agreement, concluded on 30 June 2009 between DCL NY, Dexia and FSAM.
1.4 *Administrative Services Agreement,* concluded on 30 June 2009 between Dexia, DCL, AGM, DFPS, FSAM and other GIC Business Entities.
1.5 *Third Amended and Restated Intercompany agreement,* concluded on 20 February 2013 with effect as from 27 December 2012 between DSA, DCL NY and Dexia Holdings Inc.

Current delegations granted by the shareholders' meeting

None

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

None

Share capital structure

As at 31 December 2021, Dexia Crédit Local's share capital amounted to EUR 279,213,332. It was divided into 279,213,332 shares with a par value of EUR 1.00. Each share has one voting right and none is pledged. To date, there are no other securities giving access to the capital of Dexia Crédit Local.
The share capital of Dexia Crédit Local is held directly, almost entirely by Dexia, the Chief Executive Officer holding one share in the company.
Indirectly, via Dexia, 52.78% of the capital of Dexia Crédit Local is held by the Federal Holding and Investment Company (FHIC) acting on behalf of the Belgian State and 46.81% by the French State.

Article 10 of the Articles of Association provides that:
I. The sale or transfer of share(s) in any of the two (2) cases referred to below shall be free and shall be effected immediately, without the need for the approval of the Board of Directors provided for in paragraph II below:
(1) Sale or transfer of shares to companies of the Dexia Group;
(2) Sale or transfer to any natural person or company newly appointed to the position of member of the board of directors of the company of a share in the company, as well as sale or transfer of a share to its original seller in the case of a retrocession by a member of the board of directors of the company, in particular on expiry of his or her mandate.
II. Subject to the legal provisions in force, the sale or transfer of share(s) to a third party for any reason and in any form whatsoever must, in order to become definitive, be subject to the approval of the company given by the Board of Directors, which shall give its decision within one month of the date of referral.

Proposed resolutions which will be submitted to the mixed shareholders' meeting

For the ordinary shareholders' meeting

Proposal for the approval of the annual financial statements

The ordinary shareholders' meeting, after having heard the reports of the Board of Directors, the Chairman of the Board of Directors and the Auditors, approves the annual financial statements as at 31 December 2021 as presented to it, with all the operations reflected in these accounts or mentioned in the said reports, and showing a profit of EUR 136,264,655.04.
The ordinary shareholders' meeting approves the total amount of expenses and charges not deductible from profits subject to corporation tax (Article 39 of the General Tax Code), amounting to EUR 42,136.11, which did not result in additional corporation tax, taking into account the tax loss for the financial year 2021.

Proposal for the approval of the consolidated financial statements

The ordinary shareholders' meeting, having heard the reports of the Board of Directors, the Chairman of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements as at 31 December 2021 as presented to it, together with all the transactions reflected in these financial statements or referred to in the said reports, and showing a loss, group share, of EUR -277,130,950.

Proposal for the approval of the regulated agreements

The ordinary shareholders' meeting, having heard the reading of the special report of the Auditors on the regulated agreements and commitments referred to in Article L. 225-38

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

of the Commercial Code, approves under the conditions of Article L. 225-40 of the same code the regulated agreements and commitments indicated therein.

Proposal to discharge the executive officers

The ordinary shareholders' meeting, as a consequence of the approval of the preceding resolutions, gives full and unreserved discharge to the executive officers for the performance of their duties for the financial year ending 31 December 2021.

Proposal to discharge the Chief Executive Officer and the Executive Vice-Presidents

The ordinary shareholders' meeting, as a consequence of the approval of the preceding resolutions, gives full and unreserved discharge to the Chief Executive Officer and the Executive Vice-Presidents for the performance of their duties for the financial year ending 31 December 2021.

Proposal to allocate the result

The ordinary shareholders' meeting decides to allocate the entire profit for the financial year of EUR 136,264,655.04 to the retained earnings account.
After this allocation, the retained earnings account will be positive by EUR 698,990,739.
The ordinary shareholders' meeting recalls, in accordance with Article 243 bis of the General Tax Code, that no dividend has been distributed during the three previous financial years.

Proposal for certification of the financial statements by the Auditors

The ordinary shareholders' meeting, in accordance with the provisions of Article L. 822-14 of the Commercial Code, acknowledges that the annual and consolidated financial statements for the financial year ending 31 December 2021 are certified by the Statutory Auditors:
- Mrs Virginie Chauvin and Mrs Laurence Karagulian, partners representing the company Mazars, on the one hand, and
- Mr Jean-Vincent Coustel, partner representing the company Deloitte & Associés, on the other hand.

Proposal to set the global remuneration envelope

In application of Article L. 511-73 of the Monetary and Financial Code, the ordinary shareholders' meeting issues a favourable opinion on the overall package of remuneration paid to the persons mentioned in Article L. 511-71 of the said Code during the financial year ending 31 December 2021, which amounts to EUR 9,402,871 (fixed remuneration and any bonuses).

This envelope covers the remuneration paid in 2021 to the company's managers and other members of staff of the company and its (international) subsidiaries considered, in accordance with the remuneration policy applicable to the whole of the Dexia Group, as having a significant impact on the Group's risk profile by virtue of their function and/or the level of their remuneration. This envelope includes the remuneration of the Chief Executive Officer granted exclusively by Dexia for his mandate within the parent company.

Proposal to renew the mandate of Mr Gilles Denoyel in the capacity of director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to proceed with the renewal of the director's mandate of Mr Gilles Denoyel, of French nationality and domiciled at 42, Avenue Charles Floquet, 75007 Paris, which is due to expire, and this until the ordinary shareholders' meeting to be held in 2026 and called to rule on the financial statements for the financial year ending on 31 December 2025.

Proposal concerning powers to be granted

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

For the extraordinary shareholders' meeting

Proposal to amend Article 17 of the Articles of Association

The extraordinary shareholders' meeting decides to amend Article 17 of the Articles of Association as follows:
Article 17 – Minutes
The deliberations of the Board of Directors shall be recorded in minutes in a special register kept at the registered office and signed by the chairman of the meeting and at least one director.

Proposal to delete Article 21 of the Articles of Association

The extraordinary shareholders' meeting resolves to delete Article 21 of the Articles of Association.

Statutory Auditors' special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2021

To the shareholders,

This is a free translation into English of the statutory auditors' special report on regulated agreements that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements should be read in conjunction and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de Commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements.
The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such agreements and commitments are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments, if any.
It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.
Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the Shareholders' Meeting, if any.
We performed the procedures that we considered necessary with regard to the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie Nationale des Commissaires aux Comptes)* applicable to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted to the approval of the Shareholders' Meeting

Agreements authorized and entered into during the year

Agreements submitted to the approval of the Shareholders' Meeting

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements entered into during the year which were previously approved by your Board of Directors.

Amendment no. 2 to the Guarantees Issuance Agreement and the amended and reworded version of the Guarantees Issuance Agreement

Persons concerned:
– Dexia SA/NV
– The Kingdom of Belgium
– The French Republic
Nature and purpose:
On September 7, 2021, the Board of Directors of Dexia Crédit Local (hereinafter "DCL") authorized the signature of Amendment no. 2 to the Guarantee Issuance Agreement as well as the amended and reworded version of the Guarantees Issuance Agreement itself between DCL, Dexia SA/NV, the Kingdom of Belgium and the French Republic (the Agreements).
The guarantee is extended to December 31, 2031 and retains most of its current characteristics and therefore remains joint, unconditional, irrevocable and on first demand. The following changes were however made: (i) the new guarantee ceiling is €75 billion; (ii) the Luxembourg State no longer participates in the guarantee mechanism. Its 3% share is divided between the Belgian and French States in proportion to their respective shares of 53% and 47%; (iii) the guarantee remuneration remains at 5 basis points per annum on the guaranteed outstanding amounts, payable monthly. This commission will be increased by a conditional deferred commission payable on the liquidation of the Group and provided that Dexia Crédit Local no longer holds a banking license. The pricing of this commission will be progressive from 2022 and will reach an annual rate of 135 basis points on outstanding amounts in 2027.
In addition to the adaptations detailed above (duration, ceiling, exit of Luxembourg and deferred commission) other amendments are included to take account of technical imperatives applicable to DCL: (i) hedging of interday overdrafts in euros and foreign currencies, not necessary for euro amounts under the 2013 Agreement as Dexia could access the ECB Target 2 payment system (no longer the case from January 1, 2022). The 2021 Agreement provides for a specific ceiling of €3 billion (out of a total amount of €75 billion) which may be used for this purpose and will be the subject of specific documentation and reporting; (ii) the self-underwriting capacity for DCL and its subsidiaries to subscribe.
The Board of Directors also validated the completion and signature of all documents appended to the aforementioned contracts, in the context of Amendment no. 2 to the Guarantees Issuance Agreement (that is amendments no. 2 to the subordinated pledge agreement on financial instruments accounts and the assignment agreement guaranteeing receivables, both between DCL and Banque de France, the operational memorandum between the States, DSA and DCL and the reporting protocol between the States, DSA and DCL).

Terms and conditions:
The agreement had no effect in 2021.

Reasons justifying that the agreement is in the Company's interest
The Board of Directors considers this decision to renew the State guarantee for a further period of 10 years and the related documents signed no later than December 31, 2021, to be in the interests of both DCL, as issuer and direct beneficiary of the State Guarantee and DSA as guarantor of DCL's commitments under the agreement and parent company of the Dexia group whose optimal refinancing is essential to its orderly resolution.

Agreements previously approved by Shareholders' Meeting

Agreements approved in previous years

a) With continuing effect during the year
Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements, previously approved by Shareholders' Meetings of prior years, had continuing effect during the year:

Agreement allowing Dexia Crédit Local to use subsidiaries' receivables as collateral

Persons concerned:
Mr. Alain Clot, then director of both DCL and Dexia Crediop, his term of office with DCL having ended on December 31, 2013.
In order to reduce DCL's financing needs, it was decided to mobilize the eligible assets of DCL and its subsidiaries as collateral for financing or issues guaranteed by the States.
DCL mobilized the subsidiaries' assets under market conditions throughout 2019.
As at December 31, 2021, the assets concerned totaled EUR 9.2 billion and comprised:
EUR 8.7 billion of DCL receivables;
EUR 501 million of DCL leasing subsidiary receivables.
These transactions were authorized by your Board of Directors on February 23, 2012 and have not resulted in the signature of any formal agreements.

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

Persons concerned:
Mr. Robert de Metz, then director of both DCL and DSA, his term of office having ended on May 15, 2018;
Mr. Karel De Boeck, then director of both DCL and DSA, his term of office having ended on May 17, 2016;
Mr. Claude Piret, CEO of both DCL and DSA, his term of office having ended on October 14, 2016;
Mr. Koenraad Van Loo, director of both DCL and DSA,
Mr. Philippe Rucheton, then director of both DCL and DSA, his term of office with DCL having ended on December 31, 2013.
As at December 28, 2012, the European Commission advised its agreement to the revised orderly resolution plan for the Dexia Group submitted by the Belgian, French and Luxembourg States on December 14, 2012. This approval resulted in the implementation of the arrangements for the tripartite guarantee granted by the Belgian, French and Luxembourg States, capped at EUR 85 billion, based on the following allocation key: 51.41% for Belgium, 45.59% for France and 3% for Luxembourg.
The guarantee fee on the outstanding debt issued will be calculated based on an annual rate of 5 basis points compared with 90 basis points previously under the temporary guarantee.
In 2021, the cost of the guarantee for DCL amounted to EUR 25.8 million.
Your Board of Directors authorized this agreement on December 19, 2012.

b) Without effect during the year
In addition, we have been informed of the following agreements, previously approved by Shareholders' Meeting of previous years, which had no effect during the year.

Litigation management agreement for disputed loans

Persons concerned:
Mr. Philippe Rucheton, then director of both DCL and DSA, his term of office with DCL having ended on December 31, 2013;
Mr. Alain Clot, then director and deputy managing director of DCL and member of the Supervisory Board of DMA, his terms of office with DCL having ended on December 31, 2013.
On January 31, 2013, DMA, DCL and SFIL signed an agreement for the management of litigation relating to disputed loans. The purpose of this agreement is to establish the procedures for managing all judicial (other than criminal) and administrative proceedings relating to loans recorded on DMA's balance sheet on the date of sale of the SFIL shares until maturity of all such loans.
This agreement was authorized by your Board of Directors on January 15, 2013 and had no impact in 2021.

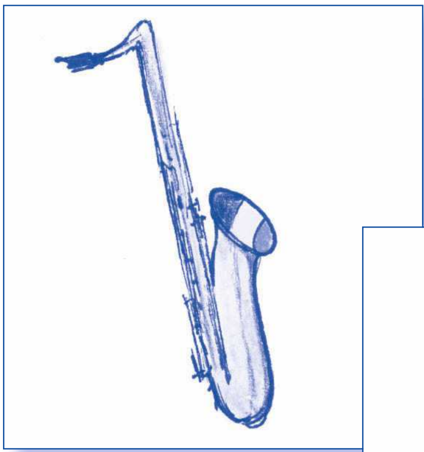
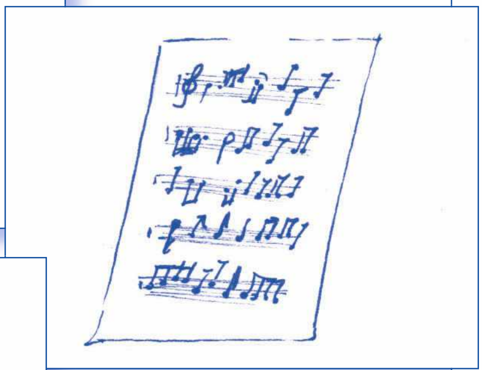
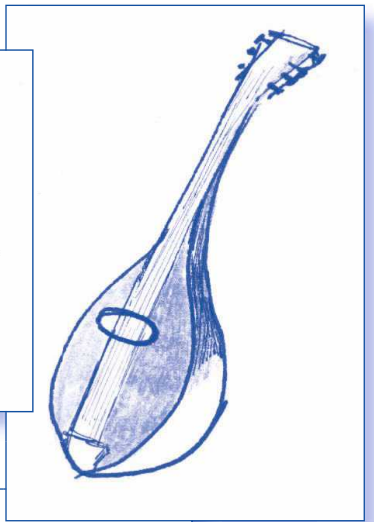
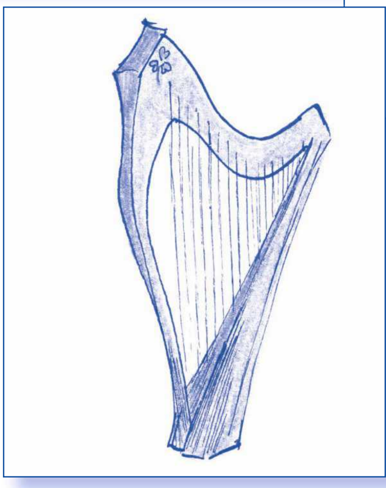
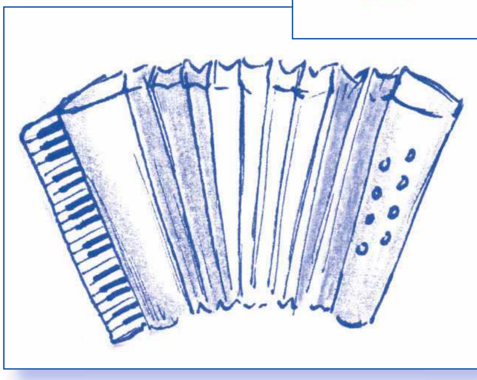
Intra-group netting agreement between DCL, DSA, Banque Internationale à Luxembourg S.A. (hereafter "BIL"), Belfius Banque SA/NV (hereafter "Belfius") and Dexia Crediop

Persons concerned:
Mr. Jean-Luc Dehaene, then director of DCL, DSA, BIL and DBB, his term of office with DCL having ended on June 29, 2012;
Mr. Pierre Mariani, then director of DCL, DSA, BIL and DBB, his term of office with DCL having ended on August 2, 2012;
Mr. Pascal Poupelle, then director of both DCL and Dexia Crediop, his term of office with DCL having ended on December 31, 2010;
Ms. Francine Swiggers, then director of DCL, DSA and DBB, her term of office with DCL having ended on November 10, 2012.
The Dexia Group Master Netting Agreement ("DGMNA") was concluded on November 2, 2009 between DCL, DSA, BIL, Belfius and Dexia Crediop.
The DGMNA allows the parties to offset amounts due in the context of transactions governed by different agreements, such as in particular the ISDA Master Agreements or other master agreements on financial instruments ("Main Agreements"). The main purpose of the DGMNA is to allow netting in the event of default by one of the parties. It therefore only allows netting when the transactions governed by the Master Agreements are accelerated, terminated, liquidated or cancelled (hereafter "Close Out").
When a party is in default according to the DGMNA, each of the other non-defaulting parties may elect to Close Out all transactions governed by the Master Agreements to which that non-defaulting party is a party.
BIL and Belfius are no longer part of the DGMNA since January 29, 2014 and November 2, 2015 respectively.
This agreement was approved by the Shareholders' Meeting of May 19, 2015 based on the Statutory Auditors' special report of March 31, 2015.
In the absence of default by the companies concerned, this agreement had no effect in 2021.

Paris la Défense, April 26, 2022

The Statutory Auditors

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

Consolidated Financial Statements as at 31 December 2021

Consolidated balance sheet

ASSETS (in EUR million)	**Note**	**31/12/2020**	**31/12/2021**
Cash and central banks	2.2	9,866	9,753
Financial assets at fair value through profit or loss	2.3 & 4.1	12,950	9,280
Hedging derivatives	4.1	1,263	662
Financial assets at fair value through other comprehensive income	2.4	3,369	1,902
Financial assets at amortised cost - Debt securities	2.5	37,075	34,553
Financial assets at amortised cost - Interbank loans and advances	2.6	21,498	17,306
Financial assets at amortised cost - Customer loans and advances	2.7	26,895	23,860
Fair value revaluation of portfolio hedges		426	298
Current tax assets		31	27
Accruals and other assets	2.8	98	118
Tangible fixed assets	2.9	31	20
Intangible assets	2.10	21	7
TOTAL ASSETS		**113,523**	**97,786**

The notes on pages 62 to 132 are integral part of these consolidated financial statements.

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

LIABILITIES (in EUR million)	**Note**	**31/12/2020**	**31/12/2021**
Financial liabilities at fair value through profit or loss	3.1 & 4.1	12,525	10,116
Hedging derivatives	4.1	20,548	16,714
Interbank borrowings and deposits	3.2	10,050	6,656
Customer borrowings and deposits	3.3	6,824	8,819
Debt securities	3.4	57,360	49,406
Fair value revaluation of portfolio hedges		5	1
Current tax liabilities		1	1
Deferred tax liabilities	4.2	30	83
Accruals and other liabilities	3.5	360	255
Provisions	3.6	109	87
Subordinated debt	3.7	19	20
TOTAL LIABILITIES		**107,831**	**92,158**
Equity	3.8	**5,692**	**5,628**
Equity, Group share		5,692	5,628
Capital stock and related reserves		2,465	2,465
Consolidated reserves		4,244	3,691
Gains and losses directly recognised in equity		(460)	(251)
Net result of the period		(557)	(277)
TOTAL LIABILITIES AND EQUITY		**113,523**	**97,786**

The notes on pages 62 to 132 are integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)	Note	31/12/2020	31/12/2021
Interest income	5.1	2,821	2,289
Interest expense	5.1	(2,781)	(2,230)
Commission income	5.2	6	6
Commission expense	5.2	(16)	(16)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(31)	(70)
Net gains (losses) on financial instruments measured at fair value through other comprehensive income	5.4	(65)	(51)
Net gains (losses) arising on derecognition of financial assets measured at amortised cost	5.5	(3)	(10)
Net gains (losses) on reclassification of financial assets measured at amortised cost into fair value through profit or loss		(104)	0
Other income	5.6	6	58
Other expenses	5,7	(7)	(52)
NET BANKING INCOME		**(174)**	**(76)**
Operating expenses	5.8	(289)	(257)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.9	(30)	(19)
GROSS OPERATING INCOME		**(493)**	**(352)**
Cost of credit risk	5.10	(169)	130
OPERATING INCOME		**(662)**	**(222)**
Net gains (losses) on other assets	5.11	104	0
NET RESULT BEFORE TAX		**(558)**	**(222)**
Income taxe	5.12	0	(55)
NET INCOME		**(558)**	**(277)**
Minority interests		(1)	0
NET INCOME, GROUP SHARE		**(557)**	**(277)**

The notes on page 62 to 132 are integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR million)	31/12/2020	31/12/2021
NET INCOME	**(558)**	**(277)**
Elements reclassified or likely to be subsequently reclassified in net income		
Cumulative translation adjustments	(110)	0
Changes in fair value of debt instruments at fair value through other comprehensive income	(7)	81
Revaluation of hedging derivatives	46	135
Tax (expense) benefit	1	0
Elements that will never be reclassified or likely to be subsequently reclassified in net income		
Actuarial gains and losses on defined benefit plans	3	0
Own credit risk revaluation directly recognised in equity for the financial liabilities designated at fair value through profit or loss (FVTPL)	2	(3)
Transfer within consolidated reserves of own credit risk amounts related to financial liabilities designated at fair value through profit or loss, upon their derecognition	(5)	(3)
Transfer within consolidated reserves of reevaluation of equity instruments at fair value through other comrehensive income, upon their derecognition	0	(2)
Tax (expense) benefit	1	1
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(70)**	**209**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(628)**	**(68)**
of which, Group share	(627)	68
of which, Minority interests	(1)	0

The notes on pages 62 to 132 are integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves: Capital stock	Capital stock and related reserves: Related reserves	Capital stock and related reserves: Total	Consolidated reserves	Gains and losses directly recognised in equity: Change in fair value of debt instruments measured at fair value through other comprehensive income, net of taxes	Gains and losses directly recognised in equity: Change in fair value of equity instruments measured at fair value through other comprehensive income, net of taxes	Gains and losses directly recognised in equity: Change in fair value of cash flow hedges, net of taxes	Gains and losses directly recognised in equity: Actuarial gains and losses on defined benefit plans	Gains and losses directly recognised in equity: Change in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk	Gains and losses directly recognised in equity: Translation adjustments	Gains and losses directly recognised in equity: Total	Net income, Group share	EQUITY, GROUP SHARE	Minority interests: Capital and reserves	Minority interests: Total	EQUITY
AS AT 31 DECEMBER 2019	279	2,186	2,465	5,020	(134)	1	(432)	(8)	35	148	(390)	(784)	6,311	4	4	6,315
Movements during the period																
Appropriation of net income 2019				(784)								784	0		0	0
Subtotal of shareholders related movements				**(784)**								**784**	**0**		**0**	**0**
Translation adjustments										(110)	(110)		(110)		0	(110)
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity					86						86		86		0	86
Own credit risk reclassified from accumulated other comprehensive income to equity upon reimbursement of financial liabilities at FVTPL				5					(5)		(5)		0		0	0
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income					(1)						(1)		(1)		0	(1)
Reclassification from financial assets at amortized cost to financial assets at fair value through other comprehensive income (change in business model)					(92)						(92)		(92)		0	(92)
Gains and losses of cash flow hedge derivaitves, through equity							40				40		40		0	40
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.							7				7		7		0	7
Changes in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk (OCR)									2		2		2		0	2
Changes in actuarial gains and losses on defined benefit plans								3			3		3		0	3
Net income for the period												(557)	(557)	(1)	(1)	(558)
Impact of the increase of the percentage interest in Dexia Crediop				3							0		3	(3)	(3)	0
AS AT 31 DECEMBER 2020	279	2,186	2,465	4,244	(141)	1	(385)	(5)	33	38	(460)	(557)	5,692	0	0	5,692
Movements during the period																
Appropriation of net income 2020				(557)								557	0		0	0
Subtotal of shareholders related movements				**(557)**								**557**	**0**		**0**	**0**
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity					36						36		36		0	36
Own credit risk reclassified from accumulated other comprehensive income to equity upon reimbursement of financial liabilities at FVTPL				3					(3)		(3)		0		0	0
Transfer to reserves of gains and losses recognized directly in equity, relating to capital instruments				2		(2)					(2)		0		0	0
Amounts reclassified to profit or loss following the impairment or the disposal of debt instruments measured at fair value through other comprehensive income(1)					45						45		45		0	45
Gains and losses of cash flow hedge derivaitves, through equity							36				36		36		0	36
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.							99				99		99		0	99
Changes in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk (OCR)									(2)		(2)		(2)		0	(2)
Net income for the period												(277)	(277)		0	(277)
AS AT 31 DECEMBER 2021	279	2,186	2,465	3,691	(60)	(1)	(250)	(5)	28	38	(251)	(277)	5,628	0	0	5,628

(1) See note 5.4.

The notes on pages 62 to 132 are integral part of these consolidated financial statements.

Consolidated cash flow statement

(in EUR million)	31/12/2020	31/12/2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(558)	(277)
Adjustment for:		
- Depreciation, amortization and other impairment	30	20
- Impairment losses (reversal impairment losses) on bonds ,loans and other assets	157	(130)
- Net (gains) or losses on investments	(104)	0
- Net increases (net decreases) in provisions	(6)	(23)
- Unrealised (gains) or losses on financial instruments	(55)	104
- Deferred taxes	19	53
Changes in operating assets and liabilities	1,060	567
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**543**	**314**
Cash flow from investing activities		
Purchase of fixed assets	(3)	(6)
Sales of unconsolidated equity shares	13	7
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**10**	**1**
Cash flow from financing activities		
Cash outflow related to lease liabilities	(20)	(8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(20)**	**(8)**
NET CASH PROVIDED	**533**	**307**
Cash and cash equivalents at the beginning of the period	**9,923**	**10,519**
Cash flow from operating activities	543	314
Cash flow from investing activities	10	1
Cash flow from financing activities	(20)	(8)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	63	10
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**10,519**	**10,836**
Additional information		
Income taxes (paid) refund	2	2
Dividends received	1	3
Interest received	5,249	4,511
Interest paid	(5,415)	(4,566)

The notes on pages 62 to 132 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, post balance sheet events and operational risk management during the resolution period.

1.1. Accounting policies and valuation methods

GENERAL INFORMATION

Dexia Crédit Local is a French limited company (société anonyme) with a Board of Directors. Its registered office is located at Tour CBX La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense. These consolidated financial statements were authorised for issue by the Board of Directors on 24 March 2022.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.
The commonly used abbreviations below are:
- IASB: International Accounting Standards Board
- IFRS IC: IFRS Interpretations Committee (ex IFRIC)
- IFRS: International Financial Reporting Standards

1.1.1. BASIS OF ACCOUNTING

1.1.1.1. General

Dexia Crédit Local's consolidated financial statements are prepared in accordance with the IFRS adopted by the EU.
The European Commission published Regulation EC 1606/2002 on 19 July 2002 requiring listed groups to apply IFRS as from 1 January 2005. This regulation has been updated several times since 2002.
Dexia Crédit Local's financial statements have therefore been prepared "in accordance with all IFRSs as adopted by the EU" and endorsed by the EC up to 31 December 2021, 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 Dexia Crédit Local consolidated financial statements as at 31 December 2021 have been prepared in accordance with the going concern accounting rules under IAS 1 § 25 and 26. This involves a certain number of assumptions constituting the business plan underlying the Dexia Group's resolution which was the subject of a decision by the European Commission in December 2012 and reassessed on the basis of the elements available at the date of closing the accounts.

The main assumptions used by management to prepare the consolidated financial statements for the year ended 31 December 2021 and the 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 as well as the maintenance of the rating of Dexia Crédit Local at a level equivalent or higher than Investment Grade.
- The continuation of the resolution assumes that Dexia Crédit Local maintains a good funding capacity which relies in particular on the appetite of investors for the debt guaranteed by the Belgian and French States as well as on Dexia Crédit Local's ability to raise secured funding. Since 1 January 2022, Dexia Crédit Local's debt issuances have benefited from the 2022 guarantee, which extends the 2013 guarantee, which expired on 31 December 2021 (cf. Note 4.4.c to the consolidated financial statements in this annual report).
- Although it manages these risks very proactively, Dexia Crédit Local remains extremely sensitive to the evolution of the macroeconomic environment and to market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters in the long term could weigh on the Group's liquidity and solvency level. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through equity and are likely to result in a change in the Dexia Group's regulatory capital level.
- Until their effective disposal, Dexia Crédit Local remains exposed to the evolution of the fair value of the assets targeted for sale within the context of the deleveraging programme validated by Dexia's Board of Directors in 2019[1]. Nevertheless, the successful execution of this plan has significantly reduced this source of sensitivity, which at 31 December 2021 amounted to EUR 2.2 million per basis point for all assets measured at fair value, of which EUR 1.5 billion per basis point for the assets targeted for sale in the context of the deleveraging programme.
- Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been reinforced by the teleworking context imposed by the Covid-19 pandemic.

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

• Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of Dexia Crédit Local's resolution could lead to a significant change in the initially anticipated resolution trajectory. In assessing the appropriateness of the going concern basis, management has considered each of these assumptions and areas of uncertainty.

• Since Dexia Crédit Local entered into orderly resolution, Dexia has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to prudent liquidity management. The acceleration of asset sales decided in the summer of 2019 has in particular allowed a significant reduction in Dexia Crédit Local's funding requirement, particularly in US dollars. In particular, in 2021, the funding requirement was reduced by EUR 7.7 billion to EUR 61.6 billion as at 31 December 2021. Furthermore, during 2021, Dexia Crédit Local up maintained a sustained execution of its funding programme, enabling it to complete its annual long-term refinancing programme in July. Five long-term public transactions were launched by Dexia Crédit Local in euros, pounds sterling and US dollars, for a total amount of EUR 5 billion. Indeed, Dexia Crédit Local was able to maintain a liquidity reserve deemed adequate with the restriction of access to European Central Bank (ECB) funding effective since 1 January 2022[1]. This liquidity reserve amounted to EUR 13.1 billion, of which EUR 11.1 billion in cash as at 31 December 2021.

• Within the framework of half-yearly reviews, an update of the Dexia Group's financial projections was presented to Dexia's Board of Directors on 16 December 2021. It includes a "central" macroeconomic scenario, based on the ECB reference scenario published in June 2021, supplemented by the scenarios published by the national central banks when available. This central scenario takes into account a strong economic recovery after the 2020 shock. However, Dexia considered this scenario to be too favourable as the effect of the 2020 shock on defaults is delayed in time. Therefore, a cautious approach was adopted, taking into account the macroeconomic evolution since the beginning of the crisis and not only from the end of 2020. For example, the GDP growth for the euro area used for 2021 in the point-in-time parameters (-2.5%) is the aggregate of the GDP evolution observed in 2020 (-6.8%) and the GDP projection for 2021 in the ECB scenario (+4.6%).

• Management has also taken into account the constraints and uncertainties of its operating model as well as the risks related to the continuity of operations, inherent to Dexia Crédit Local's specific character as a bank in resolution.

Consequently, after having taken all these elements and uncertainties into account, Dexia Crédit Local's management confirms that as at 31 December 2021, they do not call into question the fundamentals of the orderly resolution of the Dexia Group or the assessment of the application of the going concern assumption. Therefore, the consolidated financial statements can be prepared in accordance with the going concern basis under IAS 1 § 25 and 26.

(1) On 21 July 2017 the ECB announced the end of access to the Euro-system for liquidation structures as from 31 December 2021.

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

1.1.2.1. IASB texts and IFRIC interpretations endorsed by the European Commission and applied as from 1 January 2021

• **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 and

– hedge accounting.

Derecognition and modification of financial assets and liabilities

In order to take into account changes in the basis for determining the contractual cash flows, the amendment permits not to derecognize or adjust the carrying amount of a financial asset or liability at amortized cost or of an asset at fair value through OCI, but rather to update the effective interest rate to reflect the change in the alternative reference rate in the future interest income or expense. These new provisions allow to generate no gain or loss in the net income at the time of the modification. They are applicable if and only if the modification of benchmark interest rates is required by the rate reform and is carried out so as to maintain an economic equivalence between the old cash flows and the new ones. The changes that are considered to be economically equivalent are for example:

• the replacement of a benchmark interest rate with an alternative rate (or by changing its calculation method) with the addition of a fixed spread to compensate for the difference between the existing rate and the alternative rate;

• the modification of the calculation of the amount of interest due to the use of a new rate (rate reset terms, number of days between coupon payment dates, etc.);

• the addition of a fallback clause to the contractual terms to allow the implementation of the above changes.

Hedge accounting

The amendment allows hedge accounting not to be discontinued as long as the change in the reference interest rate is required by the reform and is carried out so as to maintain an economical equivalence between the old cash flows and the new ones (see above), if the hedge meets other hedge accounting criteria and if the documentation is amended to reflect changes in the hedged elements (including the description of the hedged portion of cash flows or fair value), the hedging instruments, the hedged risk, and the method of measuring effectiveness on transition to the new reference rates. For fair value and cash flow hedges, the applicable accounting rules are maintained for the recognition of gains or losses resulting from the revaluation of the hedged component and of the hedging instrument taking into account the changes described above. Dexia Crédit Local uses its judgment to assess whether the modification of the contracts is made on an economically equivalent basis. In particular, when there is a cash settlement for the difference in basis between the old and the new rate, Dexia considers that the terms are economically equivalent if the settlement does not significantly alter the future cash flows, and conversely.

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

For fair value hedges of a risk component, an alternative benchmark interest rate that is not separately identifiable at the date of designation as a non-contractually specified risk component may be used under condition that it is reasonably expected that it will be separately identifiable within 24 months following its replacement.
When realizing the retrospective hedge effectiveness testing, accumulated changes in value may be reset to zero on a case by case basis upon modification.
When hedging groups of items designated as hedged items in a fair value hedge or a cash flow hedge, the amendment allows the hedged items to be split into subgroups based on the hedged benchmark rate and to designate that benchmark rate as the hedged risk for each subgroup.
The impacts of the interest rate reform on Dexia Crédit Local's financial statements in application of these amendments, as well as the information on the new risks arising from this reform and on the management of the transition to alternative reference rates are presented in note 1.1.2.5. The quantitative information on all financial assets and liabilities affected by the interest rate reform is disclosed in note 4.8.

• **Amendment to IFRS 16** "Covid-19-Related Rent Concessions beyond 30 June 2021" 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 April 2021 and has no impact on Dexia Crédit Local financial statements as Dexia Crédit Local has not benefited from any rent relief in the context of the Covid-19 crisis as of 31 December 2021.

• **IFRS IC decision related to IAS 19** standard "Employee benefits" issued in April 2021 concerns the rules for the allocation of costs related to certain post-employment benefits, the amount of which depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service, and provided that an employee is still employed by the entity at retirement date. The expense corresponding to the benefits concerned is therefore allocated between the date that enables to reach the maximum retirement benefit and the retirement date.
This decision has no material impact on Dexia Crédit Local's financial statements as of 31 December 2021.

• **Amendment to IFRS 4** "Extension of the temporary exemption from applying IFRS 9". This amendment defers the application of IFRS 9 requirements by insurers until the date of entry into force of IFRS 17 as from 1 January 2023. This amendment has no impact on Dexia Crédit Local's financial statements as Dexia Crédit Local has no insurance contracts within the scope of the standard.

1.1.2.2. IASB texts and IFRIC interpretations endorsed by the European Commission during the current year but not yet applicable as from 1 January 2021

• **"Annual Improvements – 2018-2020 cycle"** which are a series of amendments to existing IFRS endorsed in June 2021 and which will be applicable as from 1 January 2022. Dexia Crédit Local does not expect these amendments to have a material impact on its financial statements as they are only minor adjustments to certain IFRS standards.

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

• **New standard IFRS 17 "Insurance Contracts".** This standard issued by IASB in May 2017 and replaces the current IFRS 4 "Insurance Contracts" standard and 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. This new standard will have no impact on Dexia Crédit Local's financial statements as Dexia Crédit Local has no insurance contracts within the scope of the standard.

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

• **Amendment to IAS 1 and IFRS 2** Practice Statement "Disclosure of Accounting policies" (issued by IASB in February 2021). This amendment will be applicable as from 1 January 2023 and its impact on Dexia Crédit Local's disclosures to financial statements is being analysed.

• **Amendment to IAS 8** "Definition of Accounting Estimates" (issued by IASB in February 2021). This amendment, which aims to facilitate the distinction between accounting methods and accounting estimates, will be applicable from 1 January 2023 and its impact is currently being analysed.

• **Amendment to IAS 12** "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (issued by IASB in May 2021). This amendment will be applicable as from 1 January 2023 and its impact on Dexia Crédit Local's financial statements is being analysed.

• **Amendment to IFRS 17** "Initial Application of IFRS 17 and IFRS 9 - Comparative Information" (issued by IASB in December 2021). This amendment will be applicable as from 1 January 2023 and will have no impact on Dexia Crédit Local's financial statements as Dexia Crédit Local has no insurance contracts in the scope of the standard.

1.1.2.4. New definition of default

As stated by the European Banking Authority (EBA) guidelines, the new default definition (defined by article 178 of Regulation (EU) n° 575/2013) will enter into force as from 1 January 2021. The Regulation (EU) 2018/1845 of the European Central Bank (ECB), applicable from 31 December 2020, complete these regulatory measures for the past-dues materiality threshold. These new regulations reinforce the consistency and harmonize practices of the European credit institutions for the identification of defaulted exposures. Dexia Crédit Local applies a unique definition of default for its whole portfolio and applies this new regulation for the identification of defaulted positions from mid-2020.

1.1.2.5. IBOR benchmark rates reform

Presentation of the IBOR reform

Following the weaknesses of IBOR interbank rates revealed by the financial crisis, a reform has been launched at international level in order to strengthen the reliability of benchmark methodologies and to replace IBOR benchmarks by new risk-free rates. At this stage, uncertainties still remain as to the timetable and exact replacement conditions of some indexes. Dexia Crédit Local is exposed to the IBOR indices, mainly in euros, US dollars and pounds sterling, through financial instruments which should be amended in order to reflect the new rates (via the replacement of the benchmark interest rate or via the insertion of fallback clauses, setting out the terms and conditions of replacement in the event of the cessation of a benchmark interest rate).

In the euro zone, EONIA has been replaced by €STR since 3 January 2022. EONIA was 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 has been recognized as BMR compliant since July 2019 and this rate was added to the benchmark register of the European Securities and Markets Authority (ESMA). The EURIBOR is therefore maintained for the next few years, but there is a moderate uncertainty as to its durability and on maintaining the "hybrid" method.
Regarding the LIBOR, the new SOFR and SONIA risk-free rates which comply with the BMR regulations have been published since 2018. The Index based on SOFR is expected to replace the current LIBOR USD index the publication of which will continue until 30 June 2023 for most of its tenors. Uncertainties still remain for transactions using the USD LIBOR. The GBP LIBOR index has been replaced by SONIA since 1 January 2022. However, for certain contracts qualified as tough legacy and for a limited period of time, the GBP LIBOR index is maintained beyond this deadline according to a "synthetic LIBOR" methodology which is based on the new risk-free rate. The contracts concerned are contracts whose transition is particularly difficult and which therefore could not be renegotiated before the index cessation.

Management of the transition within Dexia Crédit Local and new risks arising from the IBOR reform
A project structure has been set up within Dexia Crédit Local since the second half of 2018 in order to ensure the transition to the new benchmark rates. This project involves all of Dexia Crédit Local's business lines and functions. It aims to anticipate the impacts of the reform from a legal, commercial, financial, accounting, risk framework 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. These risks are mainly legal (related to the contractual documentation and the associated litigation risk), conduct risk (related to negotiations with clients and banking counterparties given the necessary amendments to existing contracts), financial (related to the possible market disruptions due to the interest rate reform and mainly limited to the interest rate risk), operational (related to the execution of transaction migrations and change in information systems) and accounting (related to the potential impacts in the income statement due to the transition of hedging relationships and following the post-transition revaluation of hedging instruments and hedged items);
• legal analysis and update of contracts (benchmark rates replacement in contracts and transactions, insertion of robust fallback clauses);
• implementation of the strategy, organization and execution of the transition of contracts qualified as tough legacy;
• implementation of changes in information and management systems, process update;
• 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.

During the year 2021, Dexia Crédit Local mainly focused its work on the transition of its contracts indexed to the GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA in view of the discontinuation of these indices respectively on 1 January 2022 and 3 January 2022. In particular, Dexia Crédit Local:
• adhered to the ISDA Protocol in June 2021, leading to an automatic amendment of master agreements with bilateral counterparties which have also adhered to the Protocol. Thus, for most of Dexia Crédit Local's bilateral derivatives, the replacement of the index is effective in January 2022 via the activation of the fallback clauses under the ISDA contract. However, some derivatives have been early renegotiated directly with the counterparties and modified as from the year 2021. Moreover, for derivative contracts indexed to EONIA, not included in the ISDA protocol, new replacement clauses were added via an amendment to the ISDA contract. As for Dexia Crédit Local's derivative contracts treated with clearing houses, the transition to replace the index of the floating leg of instruments indexed on EONIA and GBP LIBOR took place on 15 October 2021 and 17 December 2021 respectively;
• accomplished the transition to €STR of its cash collateral arrangements in EUR linked to derivative and repo contracts with OTC counterparties. As for the agreements relating to derivatives treated with clearing houses, the transition to the €STR and SOFR for the remuneration of cash collateral and the discounting curve took place in 2020;
• completed the update of contracts or implementation of appropriate fallback provisions for the vast majority of its securities contracts, loans and credit lines as well as funding contracts concerned by the transition.
As of 31 December 2021, Dexia Crédit Local finalized substantially all the transitions of contracts on indexes terminating at the end of 2021. The remaining contracts are those for which the transition terms to the new interest rate benchmarks were fixed in 2021 and for which the migration will take place during the year 2022. Moreover, for a very limited number of Dexia Crédit Local's instruments qualified as tough legacy (see above) the synthetic GBP LIBOR is applied after the date of 31 December 2021, while awaiting for the conclusion of renegotiation of contracts with clients in 2022 (see note 4.8). During the year 2022, Dexia Crédit Local will also continue its work with the elaboration of the transition strategy for its instruments indexed on the USD LIBOR in view of the discontinuation of the index by the end of June 2023.

Accounting issues associated with the IBOR reform
This reform has 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. In order to limit the potential accounting impacts of the reform, two texts have been published by the IASB:
• Amendments to IFRS 9, IAS 39, IFRS 7 "Interest rate benchmark reform", published by IASB in September 2019 and adopted by the European Union in January 2020, address issues related to hedge accounting in the period of uncertainty preceding the entry into force of these new rates. The IASB proposal aims at maintaining the existing hedging relationships and assumes that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered. These amendments introduce reliefs mainly relating to the highly probable

requirement for the cash flows hedged, the respect of the "separately identifiable" requirement for the risk hedged, the prospective and retrospective effectiveness testing. In order to ensure the continuity of its hedging relationships, Dexia Crédit Local has early applied the provisions of these amendments since 31 December 2019. Dexia Crédit Local applies the reliefs introduced by the amendments as long as the uncertainties regarding the timing and the amount of cash flows (index, margin adjustment or compensation) of the hedged and hedging instruments (i.e. until the effective amendment of clauses of the affected financial instruments) are not resolved. The notional amounts of hedging instruments impacted by the interest rate reform and to which Dexia Crédit Local applies the exemptions provided by the amendments are disclosed in note 7.7.

• As from 1 January 2021, Dexia Crédit Local applies the 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 particularly with the derecognition and modification of financial assets and liabilities indexed to the rate references in the scope of the reform and with hedge accounting issues. The provisions of these amendments are presented in note 1.1.2.1.

Impacts on Dexia Crédit Local's financial statements

Based on the progress of its work as at 31 December 2021 presented above and considering the application from 1 January 2021 of the amendments to IFRS 9 and IAS 39 on interest rate benchmark reform - phase 2, the transition of Dexia Crédit Local's contracts to new indices replacing the GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA generates mainly the following impacts:

• Regarding the modification of non-derivative financial assets and liabilities contracts, the new provisions of the amendments to IFRS 9 allow limiting the impacts on the financial situation of Dexia Crédit Local since the modifications of existing rates are required by the interest rate reform and carried out by Dexia Crédit Local on an economically equivalent basis.

• Regarding its derivative contracts, Dexia Crédit Local was mainly impacted via its fair value hedge relationships, mainly against GBP LIBOR risk. The derivative contracts concerned have been amended in order to incorporate the new SONIA index. According to the transition terms adopted by the markets, this replacement on the floating leg of derivatives, by adding a fixed spread to compensate for the basis difference between the GBP LIBOR and SONIA, does not generate any impact on the fair value of derivatives at the time of the transition. The redefinition of the hedged risk against SONIA and of the new hedged portion is documented simultaneously to the change related to derivatives. Given the modifications described above, as of 31 December 2021, the transition of the GBP LIBOR indexed derivative contracts via bilateral negotiations with counterparties generated a total positive impact in P&L of EUR 117 million. This impact is generated by the revaluation, based on SONIA's curve, of the fair value of the hedged risk following its redefinition and corresponds to the reversal of the stock of GBP LIBOR/SONIA accounting inefficiency at the time of the transition. By aligning the fair value hedges to the new benchmark, which is the risk-free rate, the volatility arising from the GBP LIBOR/SONIA risk has therefore been eliminated, along with the associated hedge ineffectiveness. By applying the same accounting treatment, Dexia Crédit Local expects the transition of fair value hedge derivative contracts indexed on GBP, JPY and CHF LIBORs via the activation of replacement clauses under the ISDA protocol to generate a positive impact on income of around EUR 320 million, which will be recorded in Dexia Crédit Local's consolidated financial statements in 2022.

• Regarding Dexia Crédit Local's derivative contracts in EUR, GBP and JPY treated with the clearing houses and in application of the transition terms decided by the clearing houses (in particular, for derivatives indexed on EONIA, with a cash compensation for the basis difference between EONIA and €STR as a counterpart to the modification of the fair value of the derivatives), the replacement of the index of the floating leg of the instruments indexed on EONIA, GBP LIBOR and JPY LIBOR did not have a significant impact on Dexia Crédit Local's income statement.

The impact of the transition of the instruments indexed on USD LIBOR on Dexia Crédit Local's consolidated accounts cannot be estimated at this stage.

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

The consolidated financial statements of Dexia Crédit Local have been prepared in accordance with the ANC (French Authority for Accounting Standards) presentation. As at 31 December 2021, 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".

As from 31 December 2021, for simplification reasons and considering the amounts concerned, Dexia Crédit Local changed its presentation of the amounts related to "Tax benefit" in the table "Consolidated statement of comprehensive income". This presentation remains compliant with the ANC recommendation. This change has no significant impact on Dexia Crédit Local's financial statements.

1.1.3. CONSOLIDATION

1.1.3.1. Subsidiaries and structured entities

Subsidiaries are those entities over which Dexia Crédit Local may exercise control. Entities controlled by the Group are fully consolidated.

Under IFRS 10 "Consolidated Financial Statements", the Group controls an entity if and only if the Group has all the following:

• power over the entity;

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

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

Dexia Crédit Local has power over an investee when it has existing rights that give it the current ability to direct the relevant activities i.e. the activities that significantly affect the investee's returns.

When power over an entity is obtained directly and solely from the voting rights granted by equity instruments, the investor that holds a majority of those voting rights controls the entity.

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

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

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

- the scope of its decision-making authority over the investee;
- the rights held by other parties (including right to remove the decision maker);
- the remuneration to which it is entitled in accordance with the remuneration agreements;
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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

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

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

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

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

1.1.3.2. Associates and joint venture

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

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

Dexia Crédit Local has no equity method investments.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

1.1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.1.5.1. Foreign currency translation

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

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

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

1.1.5.2. Foreign currency transactions

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

1.1.6. FINANCIAL ASSETS AND LIABILITIES

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

Management uses judgement on the criteria mentioned in the paragraphs below in determining the appropriate classification of its financial instruments at initial recognition.

However, under certain conditions, financial assets could subsequently be reclassified.

1.1.6.1. Recognition and derecognition of financial instruments

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

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

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

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

1.1.6.2. Classification and measurement of financial assets

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

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

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

1.1.6.2.1. Classification and measurement of debt instruments

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

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

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

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, interest is mainly consideration for the time value of money and credit risk, and can also include consideration for other basic lending risks (liquidity risk) and costs (administrative costs) associated with holding the financial asset for a period of time, as well as a profit margin. For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition.

In assessing whether the contractual cash flows are SPPI, Dexia Crédit Local considers the contractual terms of each instrument, particularly those that could change the timing or amount of contractual cash flows. In making the assessment, Dexia Crédit Local applies judgment when considering whether certain contractual features, such as interest rate reset frequency or non-recourse features, significantly affect future cash flows.

A contractual term that permits the borrower or the lender to prepay or to put the debt instrument back to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount substantially represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. Such compensation can be either positive or negative. Judgment is required when assessing whether compensation paid or received on early termination of lending arrangements results in cash flows that are not SPPI.

Dexia Crédit Local's debt instruments are mainly SPPI which includes vanilla floating or fixed rate loans or securities. Dexia Crédit Local's non-SPPI debt instruments include some structured loans to local public entities with a contractual interest rate based on a formula with leverage effect, indexed on currency exchange rates or long term interest rate index (such as "Constant Maturity Swap" rates).

Business model assessment

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

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

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

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

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

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

Debt instruments measured at Amortised Cost (AC)

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

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

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

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

Dexia recognises debt instruments at AC initially at fair value plus transaction costs and subsequently at amortised cost, adjusted for any allowances for expected credit losses (ECL).

Interest is calculated using the effective interest rate method and recognised in net interest income.

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

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

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

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

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

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

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

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

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

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

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

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

These assets are mandatorily measured at FVTPL.

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

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

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

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

Dexia Crédit Local has no debt instruments designated at fair value through profit or loss.

Reclassifications between categories

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Dexia Crédit Local exceptionally changes its business model for managing financial assets. A reclassification only occurs when a change in business model is determined by the senior management of Dexia Crédit Local as a result of external or internal changes that are significant to Dexia Crédit Local's operations (for example, in the event of the acquisition, disposal or termination of an important activity) and demonstrable to external parties.

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

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

The change in Dexia Crédit Local's business model decided by the Board of Directors in 2019 in view of the evolving supervisory requirements led to the reclassification on 1st January 2020 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.

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

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

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

1.1.6.2.2. Classification and measurement of investments in equity instruments

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

- Mandatorily measured at Fair Value Through Profit or Loss (FVTPL) as non-SPPI financial instrument;
- Equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

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

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

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

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

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

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

When market conditions change (e.g. valuation of floors or the Funding Value Adjustment (FVA)) for 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.

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

Trading derivatives

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

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

Dexia Crédit Local treats derivatives embedded in financial liabilities as separate derivatives:

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

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

Hedging derivatives

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

1.1.6.2.4. Accounting for early repayments and restructuring of loans

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

Restructured and modified financial assets

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

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

The following factors are the main considerations in determining if the terms of the asset after restructuring must be considered as substantially different on a qualitative basis:

- SPPI / Non SPPI nature of the contractual cash flows;
- the currency that the debt instrument is denominated in;
- the interest rate;
- conversion features attached to the instrument;
- changes in covenants;
- change in counterparty.

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

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

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

1.1.6.2.5. Impairment on financial assets

The IFRS 9 standard introduced in 2018 an impairment model of financial assets based on expected credit losses (ECL). This impairment model applies to debt instruments (loans or bonds) measured at amortised cost or measured at fair value through OCI as well as lease receivables and trade receivables. This impairment model also applies to Dexia Crédit Local's off balance sheet undrawn loan commitments and financial guarantees given.

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

- Stage 1: Financial instruments that have not deteriorated significantly in credit quality since initial recognition
- Stage 2: Financial instruments that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss
- Stage 3: Financial assets that have objective evidence of impairment at the reporting date, i.e. the related counterparty is identified as defaulted.

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

A loss allowance is defined according to the stage in which the financial instrument is allocated:

- when the financial instrument is in stage 1, the amount of loss allowance is equal to 12-month expected credit losses corresponding to the lifetime cash-shortfall that would be a result of a default occurring in the next 12 months, weighted by the probability that the default occurs during this 12 months period.
- when the financial instrument is in stage 2 and 3, the amount of loss allowance is equal to lifetime expected credit losses, corresponding to the lifetime cash-shortfall that would result in case of a default occurring over the life of the instrument, weighted by the default probability (PD) that the default occurs over the residual maturity of the instrument.

Interest revenue for financial assets allocated in Stage 1 or 2 are calculated by applying the Effective Interest Rate (EIR) to the gross carrying amount, while for financial assets in stage 3, EIR is applied to amortised cost.

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

Significant Increase in Credit Risk (SICR)

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

The quantitative test involves comparing the average probability of default (measured over the cycle) of the contract at the closing date and at the inception date. This variation of PD is then normalised by the lifetime average through the cycle PD of the contract at the inception date. These PDs are considered over a time horizon equal to the initial maturity of the financial instrument.

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

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

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

IFRS 9 standards indicate that regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Given Dexia Crédit Local's portfolio characteristics and especially its

(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.

significant public sector sub-portfolio, administration procedures may delay contractual payments. Therefore, for this type of population, a first analysis is performed to ensure that this delay is not relating to administrative procedures, and if not, then the presumption applies and any exception is analysed and documented individually.

The PD at origination is not expected to be modified and is determined once and for all for each exposure. However, if the contractual terms of a financial asset are restructured (i.e. renegotiated or refinanced), and if this restructuring leads to a derecognition according to IFRS 9 accounting rules, the restructured asset is considered as a new asset. This new asset is either recognised as a POCI (Purchased or Originated Credit Impaired) if it meets the identification criteria for these types of assets and in this case a life-time ECL will be recognised, or it is initially recognised in Stage 1. The test of SICR is then performed on the new characteristics of the restructured asset. The PD at origination is therefore updated given the rating of the counterparty at the restructuring date and the maturity of the restructured financial asset.

Measurement of Expected Credit Losses

Expected Credit Losses calculation for financial instruments classified in Stage 1 or 2

• *Forward Looking:* The calculation of Expected Credit Losses is a function of rating migration probabilities, default probabilities (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters. The rating migration probabilities, PD and LGD are point in time and forward looking, meaning they take into account current and forecasted macroeconomic conditions.

Dexia Crédit Local developed internal ratings models based on sectors segmentation as well as best estimate average PD, rating migrations and LGD models, built on a multi-year horizon based on historical data.

These best estimate parameters have been adjusted to derive IFRS 9 Point in Time (PIT) PD and LGD models which capture dependencies between various macroeconomic variables and risk parameters and are built statistically by finding historical relations between them. The most relevant macroeconomic variables include GDP, unemployment rate, Inflation, GDP growth, as well as yields and interest indicators. This approach facilitates projecting PD, rating migrations and LGD given any state of the economy.

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

• *Scenarios:* Dexia Crédit Local developed ECL projections for 3 macroeconomic scenarios: baseline, upward and downturn, the last two defined symmetrically around the baseline. The baseline macroeconomic scenario consists of predictions over a 3 year-time horizon on a number of macroeconomic and financial market data obtained from the international institutions. For the preparation of the consolidated financial statements as of 31 December 2021, Dexia Crédit Local used a macroeconomic scenario based on the projections published by either the ECB in June 2021 or by the national regulators when those are available. 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 Crédit Local.

Expected Credit Losses calculation for financial instruments classified in Stage 3

Expected credit losses are defined according to the individual characteristics of the exposure, mainly by applying cash flow models, by comparison to the financial structure of similar counterparties, by analysing the borrower's repayment ability or by taking into account the collateral value. In some marginal cases, no impairment may be allocated, especially when the collateral value exceeds the value of the debt instrument.

For instruments in Stage 3, interest revenue is calculated on the amortised cost (i.e., the gross carrying amount after deducting the impairment loss allowance).

When Dexia Crédit Local has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the gross carrying amount of a financial asset is reduced. Dexia Crédit Local policy is therefore to recognize a loss through profit or loss upon debt forgiveness which means that no enforcement activity will take place anymore.

New Definition of Default

See note 1.1.2.4. New Definition of Default.

Accounting treatment of expected credit losses

Dexia Crédit Local recognizes the changes in the amount of expected credit losses related to debt instruments, loan 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 Crédit Local's Balance sheet.

For purchased or originated credit impaired financial assets, the amount of loss allowance recognised in profit or loss is the cumulative changes in lifetime expected credit losses since initial recognition. The amount of favorable change in lifetime expected credit losses is recognised in profit or loss as an impairment gain.

1.1.6.3. Classification and measurement of financial liabilities

1.1.6.3.1. Liabilities at amortised cost

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

1.1.6.3.2. Liabilities held for trading

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

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

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

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

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

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

When liabilities designated as at fair value through profit or loss are derecognised, amounts in equity relating to own credit risk are not recycled to profit or loss. Dexia Crédit Local reclassifies these realised amounts within equity and presents them under the heading "Consolidated reserves".

However, if the treatment of liabilities designated as at fair value through profit or loss as described above would create an accounting mismatch in profit or loss, all changes in the fair value are presented by Dexia Crédit Local in profit or loss.

According to Dexia Crédit Local's accounting policy choice, interest is recognised in net interest income.

1.1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

1.1.7.1. Valuation principles

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted market prices in an active market for identical instruments are to be used as fair value, as they are the best evidence of the fair value of a financial instrument. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc.

If a financial instrument is not traded on an active market, recourse is provided by valuation models. The objective of a valuation model is to determine the value that is most representative of fair value under current market conditions. Dexia Crédit Local's valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The valuation model should take into account all factors that market participants would consider when pricing the asset. Measuring the fair value of a financial instrument requires consideration of current market conditions. To the extent that observable inputs are available, they should be incorporated into the model.

Financial assets and liabilities recognised at fair value or for which fair value is calculated for disclosures are categorised into one of three fair value hierarchy levels. The following definitions used by Dexia Crédit Local for the hierarchy levels are in line with IFRS 13 texts:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

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

1.1.7.2. Valuation techniques

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

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

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

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

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

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

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

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

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

The fair value governance involves several committees that deal with valuation issues. The highest one, the Management Board supervises major decisions taken by lower level committees (Market Risk Committee and Validation Advisory Committee). This governance ensures a strong control framework for valuation issues as well as the independence between the Front Office, Market Risk and Validation teams, with the aim of producing reliable valuation estimates for the risk monitoring of the trading activity as well as for a fair presentation of the financial and solvency situation of the Group. Dexia Crédit Local's general 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 Crédit Local maximises the use of market data.

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

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

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

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

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

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

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

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

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

Regarding the valuation of assets, Dexia Crédit Local takes into account the prepayment risk associated with these assets. Dexia Crédit Local will continue to improve its models in future periods and taking into account the market practices.

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

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

1.1.8. INTEREST INCOME AND EXPENSE

For all interest bearing instruments, excluding trading derivatives measured at fair value through profit or loss and including economic hedging derivatives that are held for risk management purposes but for which hedging accounting is not applied, interest income and expense are recognised in the income statement in net interest income on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs).

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is reported in the same line as the related financial asset or liability in the balance sheet.

Interest income and expenses on derivatives are presented on a gross basis by instrument.

Following the decision of IFRS IC and according to the view of the European Banking Authority (EBA), Dexia Crédit Local presents negative remuneration on assets together with interest expense and positive remuneration on liabilities together with interest income.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Dexia Crédit Local recognises revenue when it transfers the control over a product or service to a customer.

Commissions and fees arising from most of Dexia Crédit Local's activities are recognised on an accrual basis over the life of the underlying transaction.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of loans, equity securities or other securities or the purchase or sale of businesses, are recognised when the significant act has been completed.

According to IFRS 9, loan commitment fees are recognised as part of the effective interest rate according to IFRS 9 if the loan is granted, and recorded as revenue on expiry if no loan is granted.

Fees that are not an integral part of the effective interest rate are accounted for under IFRS 15. These include fees charged for servicing a loan, commitment fees to originate a loan when the loan commitment is not measured at fair value through profit or loss and it is unlikely that a specific lending agreement will be entered into, and loan syndication fees received by Dexia Crédit Local that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Financial guarantee contract fees that are not designated at fair value through profit or loss and not in the scope of IFRS 4 "Insurance contracts" are recognised in accordance with IFRS 15.

1.1.10. HEDGING DERIVATIVES

While awaiting the future standard on macro hedging, and as permitted under IFRS 9, Dexia Crédit Local continues to apply the current hedge accounting requirements (IAS 39) for all its micro and macro-hedge relationships.

Hedging derivatives are categorised as either:

- a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge); or
- a hedge of a net investment in a foreign operation.

Dexia Crédit Local designates derivatives as hedging instruments if certain criteria are met:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is available before hedge accounting is applied;
- the hedge is documented in such a way as to show that it is expected to be highly effective both prospectively and retrospectively in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item throughout the reporting period; and
- the hedge is effective at inception and on an ongoing basis.

Dexia Crédit Local records changes in the fair value of derivatives that are designated, and qualify for hedge accounting, as fair value hedges in the income statement, along with the corresponding change in fair value of the hedged assets or the liabilities that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for a fair value hedge and the hedged item is still recognised, Dexia Crédit Local amortises the adjustment to the carrying amount of a hedged 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 Crédit Local recognises the effective part of the changes in the fair value of derivatives that are designated and qualify for hedge accounting as cash flow hedges, in "Other comprehensive income" under the heading "Unrealised or deferred gains and losses" (see "Consolidated statement of changes in equity"). Any non-effective portion of the changes in the fair value of the hedging instrument is recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are recognised in the income statement under "Net gains (losses) on financial instruments at fair value through profit or loss". Amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the income statement

1.1.11. HEDGE OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO

Dexia Crédit Local makes use of the provisions in IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way in which Dexia Crédit Local manages its financial instruments.

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

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

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

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

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

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

1.1.12. DAY ONE PROFIT OR LOSS

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

The day one profit or loss is the difference between:

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

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

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

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

1.1.13. TANGIBLE FIXED ASSETS

Tangible fixed assets include material and equipment.

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

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

The main useful lives are as follows:

- Computer equipment: 3 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.
- Technical installations, fixtures and fittings: 10 to 20 years.

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

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

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

1.1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period can be up to 10 years.

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

Intangible assets (other than goodwill) are tested for impairment when an indication of impairment loss exists. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are included under "Net gains (losses) on other assets".

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

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

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

Dexia Crédit Local measures a non-current asset (or disposal group) classified as held for sale at its carrying amount or at its fair value less costs to sell (whichever is the lower). Non-current assets (or disposal groups) classified as held for sale are presented separately in the balance sheet, without restatement for previous periods. When a disposal group is classified in held for sale, items of Other Comprehensive Income are isolated in a separate publication line in equity. These assets are no longer depreciated once they qualify as assets (or disposal groups) held for sale. Intercompany accounts between the continuing activities and the disposal group held for sale continue to be eliminated.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. Post-tax profit or loss of discontinued operations is presented under a separate line in the income statement. A re-statement for previous periods is performed.

1.1.16. GOODWILL

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

1.1.17. ACCRUALS AND OTHER ASSETS

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

1.1.18. LEASES

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

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

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

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

1.1.18.1. Dexia Crédit Local is the lessee

Dexia Crédit Local grants leases principally for the rental of equipment or real estate.

A lease, as defined by IFRS 16 "Leases" is recognised on Dexia Crédit Local's balance sheet as a right-of-use asset representing the right to use the underlying asset during the term of the contract and a lease liability representing the obligation to make lease payments.

Dexia Crédit Local has elected not to recognise a right-of-use asset and a lease liability for lease contracts that have the term of less than one year (including renewal options) and to leases for which the underlying asset, when new, is of low value (Dexia Crédit Local applies the exemption threshold of EUR 5,000). Lease payments in respect of these contracts are recognised in the income statement as an expense on a straight-line basis over the lease term.

Measurement of the right-of-use asset

The right-of-use asset is initially measured at cost which includes the initial value of the lease liability, plus, any initial direct costs, restoration costs and advance payments less any lease incentives received from the lessor.

Subsequently, the right-of-use asset is depreciated usually on a straight-line basis over the lease term and impairment is recognised if necessary.

Measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments discounted over the lease term.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, variable lease payments that depend on an index or a rate and, if applicable, amounts expected to be payable by the lessee under residual value guarantees, for purchase options or payments of penalties for terminating the lease.

In order to determine the lease term (including for 3-6-9 leases in France), Dexia Crédit Local considers the non-cancellable period of the contract considering, if applicable, any renewal and termination options, if Dexia Crédit Local is reasonably certain to use an option. In order to assess whether it is reasonably certain to exercise or not to exercise such options, Dexia Crédit Local uses its judgement and considers all relevant facts and circumstances that create an economic incentive for Dexia Crédit Local to exercise or not to exercise these options, including the conditions for exercising these options, substantial changes made to the leased premises, the costs associated with the contract termination, the importance of the leased asset for Dexia Crédit Local's operations as well as the outlook for the future use of the assets. In addition, the assumptions used for the determination of the lease term are consistent with those used for the depreciation period for any fixtures and fittings made under the lease.

The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, Dexia Crédit Local uses its incremental borrowing rate as the discount rate. The discount rate is set by currency and by country of Dexia Crédit Local's entities and considering the borrowing terms of the lessee entity. It reflects the average term weighted by the lease payment flows (duration) of the lease contract.

The lease liability is subsequently measured at amortised cost using the effective interest rate method: it is increased by the interest expense on the lease liability and reduced by lease payments made.

The amount of the lease liability and the right-of-use asset is adjusted later if the lease contract is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

Dexia Crédit Local presents the right-of-use assets under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Lease liabilities are presented within "Accruals and other liabilities".

In the income statement, the depreciation charge for the right-of-use asset is presented under "Depreciation, amortisation and impairment of tangible fixed assets and intangible assets", separately from the interest expense on lease liabilities which is presented under "Interest expense".

In the cash flow statement, cash outflows related to lease liabilities are classified within financing activities for the principal portion and within operating activities for the interest portion.

1.1.18.2. Dexia Crédit Local is the lessor

Dexia Crédit Local grants both operating and finance leases. A lease is classified as a finance lease if the contract transfers substantially all the risks and rewards incidental to ownership of an asset. A contract that is not a finance lease is an operating lease.

The accounting methods applicable to Dexia Crédit Local as a lessor are not different from those that prevailed under IAS 17. However, when Dexia Crédit Local acts as an intermediary lessor, the classification of a sublease contract is made by reference to the right-of-use asset arising from the head lease, and not by reference to the underlying asset.

Revenue from operating leases is recognised in the income statement on a straight-line basis over the lease term. The underlying asset is accounted for in accordance with the accounting policies applicable to this type of asset. For finance leases, Dexia Crédit Local recognises "leases receivable" at an amount equal to the net investment in the lease, which can be different from the present value of minimum lease payments. The interest rate implicit in the lease contract acts as the discount rate. Interest income is recognised over the term of the lease using the interest rate implicit in the lease.

1.1.19. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised because, despite the transfer of ownership of securities, there is no substantial transfer of risks and rewards and the securities remain in their original category. The corresponding liability is entered under "Interbank borrowings and deposits" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.

Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance sheet items and the corresponding loans recorded as "Interbank loans and advances" or "Customer loans and advances".

The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective 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 Crédit Local determines whether it is probable that the relevant authority will accept the tax treatment, assuming that a taxation authority will examine the treatment and will have full knowledge of all relevant information when doing so. If it is probable that a taxation authority will not accept the tax treatment, Dexia Crédit Local reflects this uncertainty when determining the value of tax assets and liabilities following one of the below listed methods which provides better predictions of the resolution of the uncertainty:

- the most likely amount or
- the expected value (sum of the probability-weighted amounts in a range of possible outcomes).

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

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

Short-term benefits, payable before 12 months after the end of the annual reporting period in which the service is rendered, are measured on an undiscounted basis and recognised as an expense.

Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.1.21.2. Post-employment benefits

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

In some cases, Dexia Crédit Local provides post-retirement health care benefits to its retirees.

1.1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, or A adjusted when maturities are not available in AA, which have terms to maturity approximating to the terms of the related liability. The valuation technique for the assessment of pension expenses incorporates actuarial assumptions comprising both demographic assumptions and financial assumptions such as the inflation rate.

For defined benefit plans, the cost is determined using the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

The amount recognised in the balance sheet is the present value of the defined benefit obligation (i.e., the present value of the expected future payments required to settle the obligation resulting from the employee service in the current and prior periods), reduced by the fair value of plan assets at the balance sheet date. The defined obligation is presented net of plan assets as a liability or an asset. Therefore, an asset may arise where a plan has been overfunded and is recorded separately if this asset is held by a Group entity. Any asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding net interest) and any change in the effect of the asset ceiling (excluding net interest), and are recognised immediately in other comprehensive income and are not reclassified to profit or loss in a subsequent period.

Current service cost, past service cost (which is the change in the present value of the defined benefit obligation, resulting from a plan amendment or a curtailment) and any gain or loss on settlement are recognised in profit or loss.

When a plan amendment, curtailment or settlement occurs, Dexia Crédit Local recognizes and measures any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. The effect of the asset ceiling is then determined after the plan amendment, curtailment or settlement and any change in that effect is recognized.

The current service cost is determined using actuarial assumptions determined at the start of the reporting period. If a plan amendment, curtailment or settlement occurs, current service cost is determined for the remainder of the reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset).

Net interest on the net defined benefit liability (asset) is recognised in profit or loss. It is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset), both as determined at the start of the annual reporting period, and taking account 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.

As from 31 December 2021 and in accordance with the IFRS IC decision of April 2021, the expense related to certain post-employment benefits is allocated between the date that enables to reach the maximum retirement benefit and the retirement date. This concerns benefits the amount of which depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service, and provided that an employee is still employed by the entity at retirement date.

Qualified external actuaries carry out valuations of these defined benefit obligations. All valuation assumptions and results are reviewed and validated by an external actuary for Dexia Crédit Local that ensures that all calculations are harmonised and calculated in compliance with IAS 19 (as revised in 2011).

1.1.21.2.2. Defined contribution pension plans

Dexia Crédit Local's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate. Under such plans, Dexia Crédit Local's obligations are limited to the contributions that Dexia Crédit Local agrees to pay into the fund on behalf of its employees.

1.1.21.2.3. Retirement termination payments

Retirement termination payments are treated as defined benefit plans.

1.1.21.3. Other long-term benefits

These mainly include provisions for jubilee premiums that employees receive after completion of specified periods of service.

Unlike defined benefit plans, actuarial gains and losses relating to these benefits are immediately recognised. All past service costs are recognised immediately in the income statement.

1.1.21.4. Termination benefits

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

- when Dexia Crédit Local can no longer withdraw the offer of those benefits; and
- when Dexia Crédit Local recognises costs for a restructuring that involves the payment of termination benefits.

1.1.22. PROVISIONS

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognised when:

- Dexia Crédit Local has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognised according to an ECL impairment model introduced by IFRS 9 (see 1.1.6.2.5. Impairment on financial assets).

1.1.23. SHARE CAPITAL AND TREASURY SHARES

1.1.23.1. Share issue costs

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

1.1.23.2. Dividends on Dexia Crédit Local's ordinary shares

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

1.1.24. RELATED-PARTY TRANSACTIONS

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

1.1.25. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents held for the purpose of meeting short-term cash commitments comprise balances with a maturity of less than 3 months maturity from the date of acquisition included within cash and balances with central banks, interbank loans and advances.

1.1.26. USE OF ESTIMATES AND JUDGEMENTS

In preparing the condensed 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) (IFRS 9) (see 1.1.6.2.5.);
- determination of fair value less costs to sell for non-current assets and disposal groups held for sale. Dexia Crédit Local uses its judgment for identification of non-current assets and

disposal groups held for sale and discontinued operations (IFRS 5) (see 1.1.15.);
• assessment of the conditions allowing the application of hedge accounting and measurement of hedge effectiveness in hedging relationships (see 1.1.10., 1.1.11.);
• analysis of renegotiated assets in order to determine whether they should be maintained on the balance sheet or derecognised (see 1.1.6.2.4);
• determination of the useful life and the residual value of property, plant and equipment, and intangible assets. Dexia Crédit Local exercises its judgment in assessing the conditions for capitalizing assets (see 1.1.13., 1.1.14.);
• actuarial assumptions related to the measurement of employee benefits obligations and plan assets (see 1.1.21., 3.6.);
• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.1.20.);
• determination of the value of right-of-use assets and lease liabilities of lease contracts and in particular determination of the lease period (see 1.1.18.);
• determination of the uncertainty over income tax treatments (see 1.1.20.) and other provisions for liabilities and charges (see 1.1.22.). Like many financial institutions, Dexia Crédit Local is subject to several regulatory investigations and is named as a defendant in a number of lawsuits. The existence of a present obligation with probable outflows in the context of litigations requires the use of judgment. The Group's consolidated financial statements reflect the consequences, as assessed by Dexia Crédit Local in accordance with the information available to it on the date of preparation of the financial statements, of major disputes and investigations that could have a material impact on the Group's financial situation, performance or activities and provisions were recorded when deemed necessary.

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

Moreover, in the context of the IBOR reform, Dexia Crédit Local exercises its judgment to assess whether the modification of contracts is made on an economically equivalent basis (see 1.1.2.1).

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

COVID-19 crisis

The current context of the public health crisis related to Covid-19 is characterized by significant uncertainties about the duration and the magnitude of the economic effects of the pandemic. These uncertainties have led Dexia Crédit Local to make assumptions and estimates and to exercise a greater degree of judgment in the preparation of its condensed consolidated financial statements as of 31 December 2021. 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 Crédit Local's consolidated financial statements as of 31 December 2021, are presented in note 1.4.1 "Impacts relating to Covid-19".

Brexit

In the context of the exit of the United Kingdom from the European Union as from 1 January 2021 and the signature of the trade and cooperation agreement in December 2020, Dexia Crédit Local continues to follow the progress of the negotiations, particularly in the area of financial services. The European Union has extended the equivalence of the British clearing houses until 30 June 2025. Dexia Crédit Local integrates the consequences of Brexit in assumptions and estimates used in preparing the consolidated financial statements.

1.2. Ownership interest in subsidiaries and other entities

a. Criteria for consolidation and use of the equity method

The Dexia Crédit Local 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.

Subsidiaries and structured entities controlled by the Group, partnerships (joint operations or joint ventures) and associates whose financial statements are not material in relation to the Group's consolidated financial statements, particularly with regard to total assets, interest income and operating expenses, are not included in the scope of consolidation. In addition, a qualitative analysis of the risks associated with each of the companies excluded from the scope of consolidation (litigation, quality of assets, guarantees given, analysis of relationships between related parties, off-balance sheet commitments) will be carried out before deciding not to consolidate the company.

b. Changes in the consolidation scope compared with 31 December 2020

No significant change.

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

There is no significant impact.

d. Scope of the Dexia Crédit Local Group as at 31 December 2021

A. Fully consolidated entities

Name	31 December 2020				31 December 2021		
	Country	Method	Control rate	Interest rate	Method	Control rate	Interest rate
PARENT COMPANY							
Dexia Crédit Local SA	France						
Dexia Crédit Local, Dublin Branch	Ireland	FC	100	100	FC	100	100
SUBSIDIARIES							
Dexia CLF Régions Bail	France	FC	100	100	FC	100	100
Dexia Crediop	Italy	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
FSA Asset Management LLC(2)	USA	FC	100	100	FC	100	100
FSA Capital Management Services LLC(2)	USA	FC	100	100	FC	100	100
FSA Capital Markets Services LLC(2)	USA	FC	100	100	FC	100	100
FSA Global Funding LTD(1)	Cayman Islands	FC	100	100	FC	100	100
FSA Portfolio Asset Limited (UK)(2)	United Kingdom	FC	100	100	FC	100	100
Premier International Funding Co(3)	Cayman Islands	FC	0	0	FC	0	0
WISE 2006-1 PLC	Ireland	FC	100	100	FC	100	100

Method *FC: Fully Consolidated*
(1) Companies consolidated by Dexia Holdings Inc.
(2) Companies consolidated by Dexia FP Holdings Inc.
(3) Companies consolidated by FSA Global Funding Ltd.

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

Name	31 December 2020				31 December 2021		
	Country	Method	Control rate	Interest rate	Method	Control rate	Interest rate
DCL Evolution	France	not FC	100	100	not FC	100	100
Dexia Crédito Local México SA de CV (Sofom Filial)	Mexico	not FC	100	100	not FC	100	100
Dexia Kommunalkredit Romania	Romania	not FC	100	100	not FC	100	100
Dexia Management Services Limited	United Kingdom	not FC	100	100	not FC	100	100
Genebus Lease (in liquidation)	France	not FC	100	100	not FC	100	100
Impax New Energy Investor	Luxemburg	not EM	24.99	24.99	not EM	24.99	24.99
New Mexican Trust	Mexico	not FC	100	100	not FC	100	100
Progetto Fontana (in liquidation)	Italy	not FC	100	100	not FC	100	100
SPS – Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Italy	not EM	20.4	20.4	not EM	20.4	20.4

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

Dexia Crédit Local 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 Crédit Local provides the list of significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

The information regarding financial assets pledged as collateral for liabilities or contingent liabilities is presented in note 7.3.b.

The assets guaranteeing the secured debt issued by covered bonds entities and the guaranteed investment contracts are presented in note 7.3.b.

Certain assets held by Dexia Crédit Local and benefiting from a credit risk hedge in the form of a guarantee or even a CDS are subject to some legal restrictions, commonly called "Representation to Hold clauses"(1).

Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obliga-

(1) Guarantee contracts with monolines (or with banks acting as intermediary for monolines) contain "representation to hold clauses" which (in a more or less strict manner) oblige the beneficiary to hold the guaranteed assets until the end of the guarantee.

tions 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.

f. Interest in unconsolidated structured entities

This is mainly a securitization vehicle (FCC) of loans to customer. This vehicle is financed through the issuance of notes.

Interests in unconsolidated structured entities (in EUR million)	**Securitisation Special Purpose Entities**	**Other activities**	**Total**
Derivatives	62		62
Debt securities	175		175
Loans and advances	50		50
TOTAL	**287**		**287**
Total assets of unconsolidated structured entities	**581**		**581**

The maximum exposure to loss is the fair value of derivatives and the amortised costs of other instruments.
Dexia Crédit Local is considered to be a sponsor of a structured entity when it is primarily involved in the design and establishment of the structured entity and when it transferred assets to the structured entity or provided guarantees regarding the structured entity's performance. Dexia Crédit Local, as a run-off structure does not have income anymore from sponsored structure without interest in the entity as at 31 December 2021.

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 31/12/2021, there are no significant minority interests.

1.3 Significant items included in the income statement

Over the year 2021, Dexia Crédit Local posted a net result Group share of EUR -277 million (EUR -557 million in 2020).
The net banking income was negative, at EUR -76 million (EUR -174 million in 2020).
As in 2020, 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 disposals and provisions for legal risk.
It also included in 2020 a charge of EUR 104 million, recognised in *Net gains (losses) on reclassification of financial assets measured at amortised cost into fair value through profit or loss,* linked to the fair value measurement, as of January 1, 2020, of a EUR 3.4 billion financial assets portfolio due to a change in business model decided by the Board of Directors on July 19, 2019.
As in 2021, the early repayment of EUR 280 million of outstanding loans on the UK social housing sector results in an overall charge of EUR -40 million which is reflected in two separate lines of the income statement:

- in *Net gains or losses resulting from the derecognition of financial assets at amortised cost* for an amount of EUR +39 million related to the early repayment indemnities, net of the effects associated with the breach of the interest rate hedge of the loans,
- in *Net gains or losses on financial instruments at fair value through profit or loss* for an amount of EUR -79 million, following the recycling to profit or loss of the cash flow hedge reserve following the termination of the swaps that covered the financing of the loans.

Net gains or losses on financial instruments at fair value through profit or loss, at EUR -70 million (EUR -31 million in 2020) also includes EUR 117 million income related to early replacement of the benchmark of fair value hedge derivatives contracts indexed on GBP LIBOR in the context of the IBOR reform: this income is induced by the revaluation, based on the SONIA curve, of the fair value of the hedged risk following its redefinition, and corresponds to the reversal of the stock of GBP LIBOR/SONIA accounting inefficiencies at the time of the index change. The change in market parameters during the year, in particular the tightening of CBS spreads, also had an unfavorable impact on fair value hedging inefficiencies of EUR -151 million (EUR +57 million in 2020), offset by EUR 43 million income related to the partial hedging of BOR-OIS basis risk (EUR -75 million in 2020). Finally, the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA) have a neutral effect on the result of the year (EUR +35 million in 2020).
Net gains or losses on financial instruments at fair value through equity amounted to EUR -51 million (EUR -65 million in 2020), related to the sale of assets, in particular the sale of loans to French local authorities and of assets denominated in foreign currencies.
Net gains or losses from derecognition of financial assets at amortised cost amounts to EUR -10 million (EUR -3 million in 2020). It includes the EUR +39 million income related to the above-mentioned loan prepayment indemnities. The Group also reduced its concentration risk by selling outstanding amounts on the Republic of Italy (EUR 412 million) and the State of Illinois (EUR 360 million) with a loss of EUR 40 million.
The net other results, at EUR 6 million (EUR -1 million in 2020) mainly resulted from the net provision for litigations.
Costs amount to EUR -277 million (EUR -319 million in 2020). The EUR 42 million decrease essentially reflects the efforts to control general operating expenses, notably related to the simplification of the international network. In particular, taxes and regulatory contributions decreased by EUR 11 million over the year (EUR -53 million in 2021, and EUR -64 million in 2020), due to the decrease in the contribution to the Single Resolution Fund, and to the decrease in the supervisory costs of the regulators, in line with the change of status of the Group to Less Significant Institution on 1 July 2020.
Cost of credit risk amounts to EUR 130 million in 2021. It is mainly composed of:

- the net impact in result recognised on provisioned exposures in a collective manner (EUR +159 million), following the update of the macroeconomic scenario used for the assesment of the expected credit losses in the context of IFRS9, the change of the exposure on the Central Bank of Tunisia from stage 2 to stage 3 following the classification of the counterparty as "unlikely-to-pay" as well as the update of the calculation parameters and the evolution of the portfolio (rating changes, disposals, natural depreciations);
- the net impact in result recognised on provisioned exposures in a specific manner (EUR -28 million), the impact of the additional provisioning on Tunisia due to the transition to stage 3 partially compensated by provision reversal linked to the total or partial early repayment of certain exposures.

In 2020, the Covid crisis was materialized by an increase in expected credit losses, with the cost of risk of EUR -169 million as at 31 December 2020.

Net gains or losses on other assets is zero in 2021, while it amounted to EUR +104 million in 2020 following the recycling to the income statement of the translation difference carried by the equity of the New York branch.

Income taxes amounted to EUR -55 million (nil in 2020): they include in 2021 a deferred tax charge of EUR -51 million following the transfer of a EUR 2.7 billion securities portfolio from Dexia Crediop to the Dublin branch, with a tax discount. In accordance with IAS 12 "Income Taxes", this temporary difference between the tax value and the book value of the transferred assets gives rise to the recognition of a deferred tax liability.

1.4 Other significant events of the year

1.4.1 IMPACTS RELATING TO COVID-19

After a year strongly marked by the Covid-19 pandemic, the improvement of market conditions and the reduction of volatility initiated at the end of 2020, thanks to the historical support of central banks, continued in 2021.

In this more favourable environment, the Dexia Crédit Local Group continued its asset disposal programme at a sustained pace and completed its annual long-term funding programme in July.

• Given the improvement of the macroeconomic context in 2021, Dexia has changed the assumptions and estimates made for the preparation of its consolidated financial statements as at 31 December 2021. In particular, Dexia Crédit Local has reviewed the macroeconomic scenarios included in the point-in-time and forward-looking measures of the probability of default and loss given default models used for the assessment of expected credit losses under IFRS 9.

• Thus, for the preparation of the consolidated financial statements as at 31 December 2021, Dexia has retained a "central" macroeconomic scenario based on the projections published by the European Central Bank (ECB) in June 2021 or by the national supervisors when available (Belgium, France, Germany, Spain, Greece, Italy, Ireland, the Netherlands, Portugal, the United Kingdom, the United States and Tunisia).

• This scenario takes into account a strong economic recovery after the 2020 shock, inter alia following the roll-out of vaccination campaigns. However, Dexia Crédit Local considered this scenario to be too favourable as the effect of the 2020 shock on defaults is time-lagged with respect to the specific context of the pandemic and the application of health and economic support measures. Therefore, a cautious approach has been adopted, taking into account the macroeconomic evolution since the beginning of the crisis and not only from the end of 2020. For example, the GDP growth of the euro zone used for the year 2021 in the point-in-time parameters (-2.5%) is the aggregated evolution of the GDP evolution observed over 2020 (-6.8%) and the GDP projection for 2021 in the ECB scenario (4.6%). The GDP developments considered for 2022 and 2023 for the euro area are those of the ECB (+4.7% and +2.1% respectively).

• The IFRS 9 approach also allows for macroeconomic uncertainty around the central scenario. In this approach, a deviation of two standard deviations has been taken into account on the macroeconomic indicators for a projection horizon of three years. This deviation is calibrated by comparing the macroeconomic projections of past years with the actual macroeconomic developments. The resulting expected credit losses are thus obtained by weighting the central scenario with an improved scenario and a downgraded scenario, within this uncertainty range. For Dexia Crédit Local's credit portfolio, the expected losses being globally more sensitive to the downgraded scenario than to the improved scenario, the taking into account of the uncertainties around the central scenario results globally in a net increase of provisions, compared to the central scenario alone.

• In addition to the baseline scenario, the ECB published an optimistic and a severe scenario in the context of the pandemic. These scenarios, detailed on the ECB website, provide additional information on macroeconomic uncertainty. As a sensitivity analysis, over three years the severe scenario foresees reduced GDP growth of around 4%, while the unemployment rate has increased by 1.3%. This results (considering that the ECB's severe scenario becomes Dexia Crédit Local's central scenario) in an increase in expected credit losses of 30%.

• Furthermore, Dexia Crédit Local pays particular attention to sensitive economic sectors, especially those sectors strongly impacted by the health crisis as identified in 2020. Thus, since 2020, all counterparties likely to be weakened by the crisis are systematically classified in Stage 2 if they are not classified in Stage 3. This concerns in particular airports, corporate real estate, French overseas and mountain communities, the oil, gas and tourism-entertainment sectors and the financing of student accommodation in the United Kingdom. All these sensitive sectors represent an exposure of EUR 11 billion out of a total of EUR 73.8 billion.

• Dexia Crédit Local also conducts, on a quarterly basis, an in-depth analysis of non-performing counterparties in order to assess the consequences of the health crisis on their financial situation. At this stage, there is no significant increase in default events.

1.4.2 REFORM OF THE BENCHMARKS (IBOR)

Information on the reform of the reference indices (IBOR) is presented in paragraph 1.1.2.5 of note 1.1. Accounting policies and valuation methods.

1.4.3 SALE OF ASSETS

After a beginning of 2020 strongly disrupted by the Covid-19 pandemic, the almost generalized return to normal market conditions from September 2020 onwards allowed the Dexia Crédit Local's Group to pursue the asset disposal program validated by the Board of Directors in July 2019, at a sustained pace. These favourable market conditions continued in 2021, in particular thanks to the intervention of central banks and European budgetary support programmes.

As a result, at the end of December 2021, asset portfolios were down by EUR 6.2 billion compared to the end of December 2020, thanks to EUR 3.8 billion in disposals and early repayments of EUR 2.4 billion in loans and EUR 1.4 billion in bonds, and EUR 2.3 billion in natural amortisation.

During the year, 57% of the assets sold or prepaid were in denominated in other than the euro currencies (pound sterling, US dollar and Canadian dollar), which allowed the Group to further reduce its refinancing risk, notably in its non-core currencies. The assets sold have an average life of approximately 8 years).

Disposals and repayments were mainly concentrated on project and corporate finance (EUR 1 billion) and public sector assets (EUR 1.6 billion), in particular loans to French local authorities (378 loans sold or repaid for an outstanding amount of EUR 0.9 billion) and loans to social housing actors in the UK (EUR 0.6 billion).

In addition, Dexia Crédit Local reduced its concentration risk by selling outstanding loans to the Republic of Italy (EUR 0.4 billion) and to the State of Illinois (EUR 0.3 billion).

In 2021, some 50 "complex" operations were subject to early repayment (revolving credits) or restructuring (credits indexed on structured indices), thus contributing to the further simplification of the commercial portfolio.

1.4.4 GUARANTEE AGREEMENT 2022

Information on the guarantee agreement is presented in point c of Note 4.4 Transactions with related parties.

1.5. Post balance sheet events

1.5.1. IMPACT OF THE CONFLICT IN UKRAINE

Dexia Crédit Local is closely monitoring the repercussions of the conflict in Ukraine on the financial markets and, more widely, on the geopolitical context. The Group has no direct exposure in Ukraine or Russia. It has an indirect exposure on a Croatian subsidiary of a Russian bank, via a deposit which is not significant. Moreover, Dexia Crédit Local has no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

At this stage, Dexia Crédit Local has not noticed any deterioration on the short-term secured debt market or in the secured financing market that could penalise its financing capacity.

The Group has a liquidity reserve of EUR 12.5 billion as at 31 December 2021 and this reserve is calibrated to enable it to cope with stressed market conditions.

1.5.2. THE REFORM OF THE BENCHMARKS (IBOR)

Dexia Crédit Local expects that the transition of fair value hedge derivatives contracts indexed on GBP, JPY and CHF LIBOR and CHF via the activation of replacement clauses under the context of the ISDA protocol will generate a positive impact on the result of around EUR 320 million, which will be recorded in Dexia Crédit Local's consolidated accounts in the first quarter of 2022.

1.6. Management of operational risk during the period of resolution

In 2021, the Dexia Crédit Local Group continued to adapt its structure and operational processes to its orderly resolution mandate. 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 individuals, a possible demotivation of staff members or the modification of treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phases, but in the medium term they should ensure the Group's operational continuity and limit the operational risks associated with systems, processes and people.

In addition, the operational risks associated with the implementation of major transformation projects are monitored on a quarterly basis to ensure that corrective action is taken to reduce the most significant risks.

Finally, psychosocial risks are closely monitored at Dexia Crédit Local, accompanied by preventive and support actions. A new teleworking agreement was unanimously signed with the representative trade unions of Dexia Crédit Local. It allows all staff members to benefit from teleworking on a voluntary basis, up to three days a week.

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)	31/12/2020	31/12/2021
Cash and central banks (note 2.2)	9,866	9,753
Financial assets at amortised cost - Interbank loans and advances (note 2.6)	652	1,083
TOTAL	**10,519**	**10,836**

b. Of which, restricted cash:

(in EUR million)	31/12/2020	31/12/2021
Mandatory reserves(1)	2	0
TOTAL	**2**	**0**

(1) Minimum required reserve deposits at the European Central Bank (ECB) or at other central bank.

2.2. Cash and central banks

(in EUR million)	31/12/2020	31/12/2021
Mandatory reserve deposits with central banks	2	0
Other central banks deposits(1)	9,865	9,753
TOTAL	**9,866**	**9,753**
of which included in cash and cash equivalents	*9,866*	*9,753*

(1) On 21 July 2017, the European Central Bank announced the end of the access to Eurosystem funding for winding up structures 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.
The ECB decision also resulted in a reduction of the liquidity buffer, combined with a change of its composition. As of December 31, 2020, the liquidity reserve is EUR 17,9 billion of which EUR 9.9 billion is in the form of deposits with central bank. As of December 31, 2021 the liquidity reserve is EUR 12.5 of which EUR 9.8 billion of deposits with central bank.

2.3. Financial assets at fair value through profit or loss

(in EUR million)	31/12/2020	31/12/2021
Loans and securities	3,539	1,999
Derivatives (see note 4.1.b)	9,411	7,281
TOTAL	**12,950**	**9,280**

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

	31/12/2020			31/12/2021		
(in EUR million)	Held for trading	Non-trading financial assets mandatorily at fair value through P/L	Total	Held for trading	Non-trading financial assets mandatorily at fair value through P/L	Total
Loans		3,139	3,139		1,794	1,794
Bonds		392	392		203	203
Equity instruments		7	7		2	2
TOTAL	**0**	**3,539**	**3,539**	**0**	**1,999**	**1,999**

b. Analysis by maturity

See note 7.5.

c. Analysis of the fair value
See note 7.1.

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

2.4. Financial assets at fair value through OCI

a. Analysis by nature

(in EUR million)	31/12/2020	31/12/2021
Loans	2,290	1,518
Bonds	1,065	368
Equity instruments designated at FVOCI	35	31
TOTAL ASSETS BEFORE ALLOWANCES	**3,390**	**1,917**
Allowances	(21)	(15)
TOTAL ASSETS AFTER ALLOWANCES	**3,369**	**1,902**

b. Derecognition of investments in equity instruments
In 2021, Dexia Crédit Local sold all the 1,947,677 shares of Ecofin Global held at December 31, 2020 for an amount of GBP 3.6 million.
This operation balanced the outstanding amount of GBP 2.3 million and has generated a result of GBP 1.3 million (or EUR 1.5 million) directly recognised in consolidated reserves.

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)	31/12/2020	31/12/2021
Ecofin Global Utilities	4	0
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)	31/12/2020	31/12/2021
Interbank	1,337	1,300
Customers	35,911	33,369
TOTAL ASSETS BEFORE ALLOWANCES	**37,249**	**34,669**
Allowances	(174)	(116)
TOTAL ASSETS AFTER ALLOWANCES	**37,075**	**34,553**

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)	31/12/2020	31/12/2021
Nostri accounts	654	1,013
Cash collateral	19,995	16,162
Reverse repurchase agreements (reverse repos)	722	0
Other interbank loans and advances	141	131
TOTAL ASSETS BEFORE ALLOWANCES	**21,512**	**17,306**
Allowances	(14)	0
TOTAL ASSETS AFTER ALLOWANCES	**21,498**	**17,306**
of which included in cash and cash equivalents	*652*	*1,083*

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)	31/12/2020	31/12/2021
Cash collateral	6,287	5,772
Reverse repurchase agreements (reverse repos)	213	0
Loans and advances	20,626	18,272
TOTAL ASSETS BEFORE ALLOWANCES	**27,126**	**24,043**
Allowances	(231)	(183)
TOTAL ASSETS AFTER ALLOWANCES	**26,895**	**23,860**
of which included in finance leases	*964*	*917*

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)	31/12/2020	31/12/2021
Deferred expense	4	15
Other accounts receivable	94	103
TOTAL	**98**	**118**

2.9. Tangible fixed assets

a. Net book value

(in EUR million)	2020 Land and buildings Right-of-use	2020 Office furniture and other equipment Own use owner	2020 Total	2021 Land and buildings Right-of-use	2021 Office furniture and other equipment Own use owner	2021 Total
Acquisition cost as at 1 January	**58**	**18**	**76**	**59**	**19**	**78**
- Acquisitions	2	1	3	0	0	0
- Transfers and cancellations	(2)	0	(2)	(4)	0	(4)
Acquisition cost as at 31 December (A)	**59**	**19**	**78**	**54**	**19**	**74**
Accumulated depreciation and impairment as at 1 January	**(12)**	**(16)**	**(28)**	**(30)**	**(17)**	**(47)**
- Depreciation booked	(19)	(1)	(20)	(7)	(1)	(7)
- Transfers and cancellations	1	0	1	0	0	0
Accumulated depreciation and impairment as at 31 December (B)	**(30)**	**(17)**	**(47)**	**(36)**	**(18)**	**(54)**
Net book value as at 31 December (A) + (B)	**29**	**2**	**31**	**19**	**2**	**20**

b. Fair value of investment property

Nil.

c. Capitalised expenditures for the construction of tangible fixed assets

Nil.

d. Contractual obligations relating to investment property at the end of the period

Nil.

e. Contractual obligations relating to property, plant and equipment at the end of the period

Nil.

2.10. Intangible assets

(in EUR million)	2020 Internally developed software	2020 Other intangible assets[1]	2020 Total	2021 Internally developed software	2021 Other intangible assets[1]	2021 Total
Acquisition cost as at 1 January	**127**	**73**	**200**	**128**	**74**	**202**
- Acquisitions	1	2	2	2	3	5
- Transfers and cancellations	0	0	0	(14)	(1)	(14)
Acquisition cost as at 31 December (A)	128	74	202	116	77	193
Accumulated depreciation and impairment as at 1 January	**(105)**	**(66)**	**(171)**	**(112)**	**(70)**	**(182)**
- Booked	**(7)**	**(4)**	**(11)**	**(9)**	**(4)**	**(12)**
- Transfers and cancellations	0	0	0	8	1	8
Accumulated depreciation and impairment as at 31 December (B)	(112)	(70)	(182)	(113)	(73)	(186)
Net book value as at 31 December (A)+(B)	**16**	**5**	**21**	**3**	**4**	**7**

(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)	**31/12/2020**	**31/12/2021**
Less than 1 year	40	51
1 to 2 years	10	0
3 to 4 years	214	204
Over 5 years	728	682
Total	**993**	**937**

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)	**31/12/2020**	**31/12/2021**
Less than 1 year	8	8
1 to 2 years	10	7
2 to 3 years	8	7
3 to 4 years	8	4
4 to 5 years	4	0
Total	**38**	**25**

Amounts recognised in profit and loss (in EUR million)	**31/12/2020**	**31/12/2021**
Expenses relating to short-term leases	3	2

Amounts recognised in the statement of cash flows	(24)	(11)

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

Nil.

2.12. Quality of financial assets

	31/12/2020					
(in EUR million)	**Gross amount - Stage 1**	**Gross amount - Stage 2**	**12-month expected credit losses**	**Lifetime expected credit losses**	**Net amount - Stage 1**	**Net amount - Stage 2**
Non credit-impaired financial assets						
Financial assets at amortised cost - Debt securities	30,518	6,693	(19)	(153)	30,499	6,540
Financial assets at amortised cost - Interbank loans and advances	21,421	91	(0)	(14)	21,421	77
Financial assets at amortised cost - Customer loans and advances	20,660	5,988	(0)	(117)	20,660	5,871
Financial assets at fair value through OCI - Fixed revenue intruments	2,106	1,211	(1)	(13)	2,105	1,198
Other accounts receivable	92	0	0	0	92	0
TOTAL	**74,798**	**13,982**	**(20)**	**(296)**	**74,778**	**13,686**

(in EUR million)	31/12/2021 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	29,171	5,360	(9)	(48)	29,163	5,312
Financial assets at amortised cost - Interbank loans and advances	17,227	79	0	0	17,227	78
Financial assets at amortised cost - Customer loans and advances	18,309	5,329	0	(92)	18,308	5,237
Financial assets at fair value through OCI - Fixed revenue intruments	1,019	836	0	(12)	1,019	824
Other accounts receivable	84	0	0	0	84	0
TOTAL	**65,811**	**11,604**	**(9)**	**(153)**	**65,802**	**11,451**

	31/12/2020			31/12/2021		
(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	37	(2)	35	137	(59)	79
Financial assets at amortised cost - Customer loans and advances	405	(104)	301	335	(85)	251
Financial assets at fair value through OCI - fixed revenue intruments	38	(7)	30	31	(3)	28
Other accounts receivable	4	(4)	0	4	(4)	0
TOTAL	**484**	**(117)**	**367**	**508**	**(151)**	**357**

	31/12/2020			31/12/2021		
(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	74	(9)	64	70	(6)	64
TOTAL	**74**	**(9)**	**64**	**70**	**(6)**	**64**

(in EUR million)	31/12/2020 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities	37,249	(19)	(153)	(2)	37,075
Financial assets at amortised cost - Interbank loans and advances	21,512	0	(14)	0	21,498
Financial assets at amortised cost - Customer loans and advances	27,126	0	(117)	(113)	26,895
Financial assets at fair value through OCI - fixed revenue intruments	3,355	(1)	(13)	(7)	3,334
Other accounts receivable	96	0	0	(4)	92
TOTAL	**89,337**	**(20)**	**(296)**	**(127)**	**88,894**

Financial instruments for which there are no loss allowances recorded correspond to positions that are either guaranteed or senior, or marginally, for which the bank has physical collateral.

(in EUR million)	31/12/2021 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities(1)	34,669	(9)	(48)	(59)	34,553
Financial assets at amortised cost - Interbank loans and advances	17,306	0	0	0	17,306
Financial assets at amortised cost - Customer loans and advances	24,043	0	(92)	(90)	23,860
Financial assets at fair value through OCI - fixed revenue intruments	1,886	0	(12)	(3)	1,871
Other accounts receivable	88	0	0	(4)	84
TOTAL	**77,992**	**(9)**	**(153)**	**(156)**	**77,674**

(1) A provision for expected loss in phase 2 has been transferred to a specific provision due to a deterioration of the credit risk.

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. Transfer of financial assets

The Group enters into transactions as repurchase agreements, securities lending agreements or total return swaps, in which the Group transfers financial assets, mainly loans and advances or debt securities, but retains substantially all of the risks and rewards.
Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

	31/12/2020		31/12/2021	
(in EUR million)	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets at amortised cost -Debt securities not derecognised due to following transactions:				
Repurchase agreements	10,361	10,031	9,968	9,974
TOTAL	**10,361**	**10,031**	**9,968**	**9,974**

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)	31/12/2020	31/12/2021
Liabilities designated at fair value	878	812
Derivatives (see note 4.1)	11,648	9,304
TOTAL	**12,525**	**10,116**

a. Analysis by nature of liabilities held for trading

Nil.

b. Analysis by nature of liabilities designated at fair value

(in EUR million)	31/12/2020	31/12/2021
Non subordinated liabillities	878	812
TOTAL	**878**	**812**

c. Credit risk on financial liabilities designated at fair value through profit or loss

(in EUR million)	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk – For the period	Amount of change in the fair value attributable to changes in the credit risk – Cumulative	Difference between carrying amount and amount contractually required to be paid at maturity(1)
As at 31 December 2020	878	3	(43)	272
As at 31 December 2021	812	6	(37)	213

(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 secured by assets, the DVA spread is the average of spreads of collateral given as guarantee. Regarding non secured liabilities, they benefit from both Dexia Crédit Local 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 2021, the cumulative change in fair value attributable to the own credit risk of financial liabilities designated at fair value amount to EUR -37 million (EUR -43 million in 2020). 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)	31/12/2020	31/12/2021
Repurchase agreements	4,348	2,618
Cash collateral	3,355	2,912
Other debts	2,347	1,126
TOTAL	10,050	6,656

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)	31/12/2020	31/12/2021
Term deposits	256	372
Total customer deposits	**256**	**372**
Repurchase agreements[1]	6,306	8,260
Cash collaterals	48	45
Other borrowings	214	141
Total customer borrowings	**6,568**	**8,447**
TOTAL	6,824	8,819

(1) The evolution in Repo drawdowns is sensitive to short term market conditions.

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)	31/12/2020	31/12/2021
Certificates of deposit[1]	2,361	636
Non-convertible bonds	55,000	48,770
TOTAL[2]	57,360	49,406

(1) The variation in certificates of deposit is sensitive to year-end short term market conditions.
(2) As at 31 December 2021, the total amount issued with the State guarantee was EUR 48.1 billion (EUR 55.4 billion in 2020).

b. Analysis by maturity

See note 7.5.

c. Analysis of fair value

See note 7.1.

3.5. Accruals and other liabilities

(in EUR million)	31/12/2020	31/12/2021
Accrued costs	10	5
Deferred income	2	2
Grants	30	27
Salaries and social charges (payable)	4	4
Other taxes	16	12
Rental debts	38	25
Other accounts payable and other liabilities	260	180
TOTAL	360	255

3.6. Provisions

a. Analysis by nature

(in EUR million)	31/12/2020	31/12/2021
Litigation claims[(1)]	79	64
Restructuring	16	9
Defined benefit plans	1	1
Other long-term employee benefits	3	3
Commitments and guarantees given[(2)]	11	10
Commitments and guarantees given – stage 1	*0*	*0*
Commitments and guarantees given – stage 2	*3*	*2*
Commitments and guarantees given – stage 3	*8*	*8*
Other provisions	0	0
TOTAL	**109**	**87**

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

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Other provisions	Total
AS AT 1 JANUARY 2021	**79**	**16**	**4**	**0**	**99**
Additions	37	3	1	0	40
Unused amounts reversed	(50)	(10)	0	0	(60)
Amounts utilised during the year	(2)	0	0	0	(3)
AS AT 31 DECEMBER 2021	**64**	**9**	**4**	**0**	**77**

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, there remains only Crediop with significant staff numbers in Italy in 2021. Except commitments for statutory pension and defined contribution plans, commitments for defined benefit plans are limited.
They mainly concern retirement allowances in France, pension plans in Italy.
Due to the downsizing of the group, the commitments decrease accordingly and the DBO (defined benefit obligation, long-term employee benefits and post-retirement obligations) represents less than 3% of consolidated equity. The amount of actuarial liabilities less the fair value of assets for retirement and other employee benefits is EUR 4 million as at 31 December 2021 and as at 31 December 2020.

d. Litigation

Like many financial institutions, Dexia Crédit Local 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 2021 and based on information available to Dexia Crédit Local on that date.
On the basis of this information, other disputes and regulatory investigations in which an entity of the Dexia Crédit Local 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 not sufficiently advanced to accurately assess whether they may have such an impact.
The consequences, as assessed by Dexia Crédit Local 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 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 confirming (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 2021, 7 clients were litigating in connection with structured loans, of which 3 concern structured loans held by the Société Française de Financement Local (SFIL), parent company of the Caisse Française de Financement Local (CAFFIL) and 4 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.
On 17 July 2019, an order of the French government amended the penalty regime applicable in the event of absence or error in the Annual Percentage Rate (APR) by abolishing the automatic conversion of the contractual interest rate into the legal interest rate.
On 24 March 2021, the French Supreme Court decided to apply this order to legal proceedings regarding structured loans that are pending. The applicable sanction is therefore the forfeiture of the right to interest based on the damages suffered by the borrower due to the absence or error on the APR. This favourable context has contributed to the conclusion of settlements in several cases.

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

Over recent years, Dexia Crédit Local 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 Crédit Local may, under the terms of the sale agreement, be required to indemnify the purchaser.
Claims for compensation have been made in relation to certain disposals made by Dexia Crédit Local in the past. Some of the legal proceedings that were pending at the time of the sale of Dexia Kommunalbank Deutschland in relation to claims raised by holders of DKD's profit-sharing rights (and reported in previous annual reports) are also still ongoing.
At present Dexia Crédit Local is unable reasonably to predict the duration or outcome of these proceedings.

3.7. Subordinated debt

a. Analysis by nature

Convertible subordinated debt

Nil.

Non-convertible subordinated debts

(in EUR million)	31/12/2020	31/12/2021
Other subordinated notes	19	20
TOTAL	**19**	**20**

b. Reconciliation of liabilities arising from financing activities

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

01/01/2021	Cash flows	Non-cash changes				31/12/2021
		Changes arising from obtaining or losing control of subsidiaries	Translation adjustment	Fair value changes	Other changes	
19	0	0	1	0	0	20

c. Analysis by maturity

See note 7.5.

d. Analysis of fair value

See note 7.1.

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

e. Detail of subordinated debts

Currency	Due	Amount in millions	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Indemnity conditions (in %)
GBP	15/10/2058	11.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. c) None	up to 15/01/2022: LIBOR(1) +0.3 % from 15/01/2022 to redemption date: LIBOR +0.58 %
GBP	15/10/2058	5.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. c) None	up to 15/01/2022: LIBOR(1) +0.39 % from 15/01/2022 to redemption date: LIBOR +0.76 %

(1) Contracts qualified as "tough legacy" whose transition is particularly difficult and which could not be renegotiated before the disappearance of the index. For a limited time, they will benefit from the "synthetic GBP LIBOR" starting in 2022.

3.8. Information on Equity

a. Capital stock

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

b. Super-subordinated perpetual note

In 2005, Dexia Crédit Local issued EUR 700 million in super-subordinated perpetual notes. The residual outstanding amounts to EUR 56 million.

4. Other Notes on the balance sheet

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

4.1. Derivatives

a. Analysis by nature

(in EUR million)	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2021 Assets	31/12/2021 Liabilities
Derivatives at fair value through profit or loss (see notes 2.3 and 3.1)	**9,411**	**11,648**	**7,281**	**9,304**
Derivatives designated as fair value hedges	1,141	19,343	538	15,984
Derivatives designated as cash flow hedges	76	634	112	381
Derivatives designated as portfolio hedges	46	571	12	349
Hedging derivatives	**1,263**	**20,548**	**662**	**16,714**
TOTAL DERIVATIVES	**10,675**	**32,195**	**7,943**	**26,019**

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

(in EUR million)	31/12/2020 Notional amount	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2021 Notional amount	31/12/2021 Assets	31/12/2021 Liabilities
Interest rate derivatives	**144,967**	**8,151**	**10,612**	**147,368**	**5,890**	**8,419**
of which: economic hedges	*50,885*	*1,126*	*1,806*	*59,771*	*355*	*803*
OTC options	11	1	1	10	1	1
OTC other	144,935	8,150	10,611	147,359	5,889	8,418
Organized market other	22					
Foreign exchange derivatives	**22,253**	**1,044**	**921**	**17,729**	**1,204**	**786**
of which: economic hedges	*16,634*	*90*	*245*	*12,457*	*450*	*269*
OTC other	22,253	1,044	921	17,729	1,204	786
Credit derivatives	**4,089**	**217**	**114**	**3,016**	**187**	**99**
of which: economic hedges	*2,412*	*153*	*73*	*1,904*	*168*	*69*
Credit default swap	4,089	217	114	3,016	187	99
TOTAL	**171,309**	**9,411**	**11,648**	**168,114**	**7,281**	**9,304**

c. Detail of derivatives designated as fair value hedges

(in EUR million)	31/12/2020 Notional amount	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2021 Notional amount	31/12/2021 Assets	31/12/2021 Liabilities
Interest rate derivatives	**57,737**	**1,019**	**16,563**	**55,864**	**478**	**13,621**
OTC options	11		2	10		2
OTC other	57,726	1,019	16,561	55,854	478	13,619
Foreign exchange derivatives	**5,529**	**122**	**2,780**	**4,255**	**61**	**2,363**
OTC other	5,529	122	2,780	4,255	61	2,363
TOTAL	**63,266**	**1,141**	**19,343**	**60,119**	**538**	**15,984**

d. Detail of derivatives designated as cash flow hedges

(in EUR million)	31/12/2020 Notional amount	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2021 Notional amount	31/12/2021 Assets	31/12/2021 Liabilities
Interest rate derivatives	**836**	**11**	**226**	**359**	**3**	**104**
OTC other	836	11	226	359	3	104
Foreign exchange derivatives	**1,190**	**65**	**408**	**2,273**	**109**	**278**
OTC other	1,190	65	408	2,273	109	278
TOTAL	**2,026**	**76**	**634**	**2,632**	**112**	**381**

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

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

Nil.

f. Detail of derivatives designated as portfolio hedges

(in EUR million)	31/12/2020 Notional amount	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2021 Notional amount	31/12/2021 Assets	31/12/2021 Liabilities
Portfolio fair value hedges of interest rate risk	5,476	46	571	5,286	12	349
TOTAL	**5,476**	**46**	**571**	**5,286**	**12**	**349**

4.2. Deferred taxes

a. Analysis by nature

(in EUR million)	31/12/2020	31/12/2021
Deferred tax assets	1,202	1,263
Unrecognised deferred tax assets	(1,202)	(1,263)
Recognised deferred tax assets[1]	**0**	**0**
Deferred tax liabilities[1]	**(30)**	**(83)**
TOTAL	**(30)**	**(83)**

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

The effects of movements in deferred tax on net income and on unrealised or deferred gains and losses are analysed in note 5.12 "Income tax" and in the "Consolidated statement of comprehensive income" respectively.

b. Movements

(in EUR million)	2020	2021
AS AT 1 JANUARY	**(12)**	**(30)**
Charge/credit recognised in the income statement: "Income tax"	(19)	(53)
Movements directly recognised in shareholders' equity	0	1
Translation adjustment	1	(1)
AS AT 31 DECEMBER	**(30)**	**(83)**

c. Deferred taxes

(in EUR million)	31/12/2020	31/12/2021
Deferred tax assets	1,202	1,263
Deferred tax liabilities	(30)	(83)
DEFERRED TAXES	**1,172**	**1,180**

Deferred taxes coming from assets (in EUR million)	31/12/2020 Total	31/12/2020 of which, change through profit or loss	31/12/2021 Total	31/12/2021 of which, change through profit or loss
Loans (and loan loss provisions)	(1,565)	(293)	(1,291)	286
Securities	(1,425)	(236)	(1,120)	314
Derivatives	422	22	616	194
Tangible fixed assets and intangible assets	2	0	2	(1)
TOTAL	**(2,566)**	**(507)**	**(1,793)**	**793**

Deferred taxes coming from liabilities (in EUR million)	31/12/2020 Total	31/12/2020 of which, change through profit or loss	31/12/2021 Total	31/12/2021 of which, change through profit or loss
Derivatives	1,741	247	1,096	(610)
Borrowings, deposits and debt securities	514	319	322	(192)
Provisions	43	(48)	52	10
Pensions	3	(1)	3	0
Non-deductible provisions	(9)	0	(9)	0
Accruals and other liabilities	(25)	(68)	(21)	0
TOTAL	**2,267**	**449**	**1,443**	**(792)**

Deferred taxes coming from other elements	31/12/2020		31/12/2021	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Tax losses carried forward	1,471	9	1,530	36
TOTAL	**1,471**	**9**	**1,530**	**36**
TOTAL DEFERRED TAXES	**1,172**		**1,180**	

d. Expiry date of unrecognised deferred tax assets

(in EUR million)	31/12/2020		31/12/2021	
Nature	**Unlimited maturity**	**Total**	**Unlimited maturity**	**Total**
Temporary difference	(137)	(137)	(42)	(42)
Tax losses carried forward	(1,065)	(1,065)	(1,221)	(1,221)
TOTAL	**(1,202)**	**(1,202)**	**(1,263)**	**(1,263)**

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.

As of December 31, 2021, this agreement therefore only concerned situations of possible default by Dexia, Dexia Crédit Local or Dexia Crediop.

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), and therefore only permits set-off when either (a) transactions governed by the Master Agreements are accelerated, terminated, liquidated or cancelled, or "b" a Breach of Representations & Warranties under the DGMNA, or "c" a Breach of Covenant under the DGMNA.

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.

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 Crédit Local 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

(in EUR million)	31/12/2020 Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
Derivatives	12,311	(2,259)	10,052	(6,566)	(3,216)	0	269
Reverse repurchase and similar agreements	936	0	936	0	(86)	(850)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**13,247**	**(2,259)**	**10,987**	**(6,566)**	**(3,303)**	**(850)**	**269**

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

(in EUR million)	31/12/2020 Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives	34,385	(2,259)	32,126	(6,566)	(20,203)	0	5,356
Repurchase and similar agreements	10,524	0	10,524	0	0	(10,524)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**44,909**	**(2,259)**	**42,649**	**(6,566)**	**(20,203)**	**(10,524)**	**5,356**

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

(in EUR million)	31/12/2021 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
Derivatives	9,446	(1,736)	7,710	(5,111)	(2,338)	0	261
Reverse repurchase and similar agreements	0	0	0	0	0	0	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**9,446**	**(1,736)**	**7,710**	**(5,111)**	**(2,338)**	**0**	**261**

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

(in EUR million)	31/12/2021 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
Derivatives	27,757	(1,736)	26,021	(5,111)	(15,736)	0	5,174
Repurchase and similar agreements	10,761	0	10,761	0	0	(10,761)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**38,518**	**(1,736)**	**36,782**	**(5,111)**	**(15,736)**	**(10,761)**	**5,174**

4.4. Related party transactions

a. Related party transactions

	Parent company (Dexia)	
(in EUR million)	2020	2021
Borrowings	88	88

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

b. Compensation of key management personnel(*)

(in EUR million)	2020	2021
Movements directly recognised in shareholders' equity[1]	3.5	3.8

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

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2013 guarantee agreement
On 24 January 2013, the French, Belgian and Luxembourg States and Dexia and Dexia Crédit Local ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the Group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia and Dexia Crédit Local SA" (as ratified by the law of 17 June 2013 "portant des dispositions fiscales et financières et des dispositions relatives au développement durable"), the French Enabling Law, as amended by the amending finance law n° 2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.
Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.

This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.

The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); 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 2021, the total outstanding amount of obligations guaranteed by the States pursuant to the 2013 Guarantee Agreement was EUR 48.1 billion. In 2021, Dexia paid a total monthly remuneration of EUR 26 million to the States for these guarantees.

2022 guarantee agreement
Following the approval[1] by the European Commission of the extension of the Dexia funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States adopted the legal texts relating to this extension on 29 December 2020 and 27 June 2021 respectively[2][3].
To recall, the extended funding guarantee (2022 guarantee) retains most of its current features and therefore remains joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the guarantee scheme:

(1) https://ec.europa.eu/commission/presscorner/detail/en/mex_19_5875
(2) Cf. Dexia Press Release dated 28 May 2021, available at www.dexia.com.
(3) Law 2020-1721 of 29 December 2020 on finance for 2021, published in the Official Journal on 30 December 2020 and Law of 27 June 2021 relating to various financial provisions, published in the Belgian Official Gazette on 9 July 2021.

- The new guarantee ceiling is EUR 75 billion, of which EUR 72 billion to cover the Group's debt issues and EUR 3 billion for intraday interbank overdrafts in euros and foreign currencies.
- The Luxembourg State no longer participates in the guarantee mechanism. Its 3% quota is 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 extended guarantee came into force on 1 January 2022. The 2013 guarantee, although expiring on 31 December 2021, continues to produce its effects for all guaranteed bonds issued by Dexia Crédit Local until 31 December 2021 and this for a maximum maturity period of ten years since their issue date. As at 31 December 2021, Dexia's outstanding guaranteed debt amounted to EUR 48 billion.

The remuneration of the guarantor States pursuant to the 2022 guarantee comprises a basic remuneration and a conditional deferred commission. This particular remuneration structure allows the full implementation of the burden-sharing principle which underlies the orderly resolution of Dexia and which imposes a requirement that any improvement in the financial situation of Dexia benefits only the States as shareholders and guarantors.

The basic remuneration is 5 basis points per annum on the guaranteed amounts outstanding, payable monthly. This commission would also be increased by a conditional deferred commission, payable in the event that two conditions materialise. These two conditions are cumulative and are set out in the Decision of the European Commission of 27 September 2019, i.e. (i) Dexia Crédit Local and Dexia may become liable to the holders of hybrid Tier 1 securities bearing the ISIN code FR0010251421 and XS0273230572 respectively, which means in practice that Dexia Crédit Local or Dexia may be put into liquidation, and (ii) Dexia Crédit Local no longer has the authorisation as a credit institution provided for in Article L. 511-10 of the Monetary and Financial Code.

The pricing of this commission will be progressive as from 2022 and will reach an annual rate of 135 basis points in 2027 on outstanding amounts issued under the extended guarantee framework. This commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local and is guaranteed by Dexia SA.

The accounting treatments of these payments to the guarantor States have been the subject of detailed analyses by Dexia.

From an accounting point of view, the treatment is different in the consolidated accounts under IFRS of Dexia and Dexia Crédit Local as well as in the social accounts under French GAAP of Dexia Crédit Local. There is no impact in the Belgian GAAP financial statements of Dexia, as the commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local.

In 2022, the amount recorded in the accounts for the conditional deferred commission will be insignificant, in the order of EUR 5 million. For the coming years, the amount will depend on the amount to be funded, which is influenced by various factors, in particular the evolution of interest rates.

In Dexia Crédit Local's consolidated financial statements, the amount of the conditional deferred commission will be recognised as a cost in the statement of income and will be recorded in Interest expense - Amounts covered by sovereign guarantees. On the balance sheet, a corresponding amount will be recorded in Subordinated debt. Furthermore, the recognition of the conditional deferred commission will result in a negative impact on the accounting equity, linked to the result of the year.

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.

4.5. Capital stock

	2020	2021
Number of shares authorized	279,213,332	279,213,332
Number of shares issued and fully paid	279,213,332	279,213,332
Number of shares issued and not fully paid	0	0
Per value of the share	**1**	**1**
Outstanding as of January, 1st	279,213,332	279,213,332
Outstanding as of December, 31	279,213,332	279,213,332
Number of treasury shares	0	0
Number of shares reserved for issue under stock options and contracts for the sale of shares	NA	NA

4.6. Exchange rates

The primary exchange rates are presented in the following schedule.

		2020		2021	
		Closing rate(1)	Average rate(2)	Closing rate(1)	Average rate(2)
Australian dollar	AUD	1.5876	1.6579	1.5630	1.5774
Canadian dollar	CAD	1.5618	1.5384	1.4404	1.4800
Swiss Franc	CHF	1.0804	1.0705	1.0356	1.0796
Czech Koruna	CZK	26.2475	26.4943	24.8590	25.6351
Danish Krone	DKK	7.4408	7.4532	7.4364	7.4369
British Pound Sterling	GBP	0.8995	0.8882	0.8397	0.8584
Hong-Kong dollar	HKD	9.5200	8.8999	8.8530	9.1859
Hungarian forint	HUF	363.2800	353.5913	369.6350	358.5921
Shekel	ILS	3.9470	3.9229	3.5220	3.8169
Japenese Yen	JPY	126.5250	121.9296	130.6250	130.3308
Won	KRW	1,337.3250	1,351.3429	1,349.5850	1,354.3229
Mexican Peso	MXN	24.3758	24.7425	23.0995	24.0116
Norwegian Krone	NOK	10.4605	10.7790	10.0094	10.1651
New Zealand dollar	NZD	1.6982	1.7599	1.6595	1.6736
Swedish Krona	SEK	10.0372	10.4739	10.2695	10.1533
Singapore dollar	SGD	1.6214	1.5792	1.5303	1.5860
New Turkish Lira	TRY	9.1318	8.1618	15.4162	10.8190
US Dollar	USD	1.2278	1.1475	1.1352	1.1816

(1) Movements directly recognised in shareholders' equity
(2) Average of the closing rates used by the Dexia Crédit Local group.

4.7. Management of capital

The information regarding management of capital is provided in the chapter "Information on capital and liquidity" of the Management Report.

4.8. Outstanding amounts of financial instruments impacted by reform of the reference indices

(in EUR million) Current reference indices	Financial assets (excluding derivatives) impacted by the reform	Financial liabilities (excluding derivatives) impacted by the reform[(2)]	Derivatives impacted by the reform[(3)]
	Outstanding Capital		Notional amount
Indices that cease immediately after 31/12/2021[(1)]			
EONIA	2,276	336	8,286
LIBOR GBP	135	9,412	22,788
LIBOR others			1,101
TOTAL	**2,411**	**9,748**	**32,175**
Indices that cease immediately after 30/06/2023			
LIBOR USD	990	4,879	32,378
Indices maintained for the next few years			
EURIBOR	8,514	28,324	131,765

(1) Exposures relating to contracts for which the terms of transition to the new reference rates have been fixed in 2021 and for which the migration will take place during 2022.
(2) Of which EUR 20 million relating to contracts qualified as "tough legacy" whose transition is particularly difficult and which could not be renegotiated before the disappearance of the index and which benefit for a limited time from the "synthetic GBP LIBOR" as from the year 2022.
(3) Of which EUR 33 million relating to contracts qualified as "tough legacy" whose transition is particularly difficult and which could not be renegotiated before the disappearance of the index and which benefit for a limited period from the "synthetic GBP LIBOR" from the year 2022.

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)	2020	2021
Interest income	**2,821**	**2,289**
a) Interest income on assets not measured at fair value through P/L	**1,009**	**821**
Cash and central banks	7	0
Financial assets at amortised cost - Interbank loans and advances	8	3
Financial assets at amortised cost - Customer loans and advances(3)	428	383
Financial assets at amortised cost - Debt securities	480	389
Financial assets at fair value through OCI	83	42
Other	3	4
b) Interest income on assets measured at fair value through P/L	**1,548**	**1,151**
Financial assets mandatorily at fair value through P/L	173	98
Derivatives held for trading	356	230
Hedging derivatives	1,019	823
c) Interests received on financial liabilities	**264**	**317**
Interests received on financial liabilities(2)	264	317
Interest expense	**(2,781)**	**(2,230)**
a) Interest expense on liabilities not measured at fair value	**(769)**	**(519)**
Interbank borrowings and deposits	(90)	(59)
Customer borrowings and deposits	(13)	(12)
Debt securities	(637)	(420)
Amounts covered by sovereign guarantees(1)	(29)	(29)
Other	(1)	(2)
b) Interest expense on liabilities measured at fair value	**(1,687)**	**(1,349)**
Liabilities designated at fair value through P/L	(36)	(32)
Derivatives held for trading	(307)	(212)
Hedging derivatives	(1,344)	(1,105)
c) Interests paid on financial assets	**(325)**	**(362)**
Interests paid on financial assets(2)	(325)	(362)
Net interest income	**40**	**59**

(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 Crédit Local decided to present separately positive interests on financial liabilities and negative interests on financial assets.
(3) Of which relating to leases: EUR 25 millions in 2021 (EUR 27 millions in 2020).

5.2. Fees and Commissions

	2020			2021		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	3	(2)	1	3	(2)	1
Payment services	0	(5)	(5)	0	(4)	(4)
Services on securities other than custodial services	0	0	0	0	(1)	0
Custodial services	2	0	2	2	0	2
Compensation and settlement-delivery	0	(1)	(1)	0	0	0
Intermediation on bond lending and reverse repo	0	(7)	(7)	0	(8)	(8)
TOTAL	**6**	**(16)**	**(10)**	**6**	**(16)**	**(10)**

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

5.3. Net gains (losses) on financial instruments at fair value through profit or loss

(in EUR million)	2020	2021
Dividend income on non trading equity instruments mandatorily at FVTPL	0	2
Net trading income[5]	(91)	8
Net result of hedge accounting	57	(107)
Net result of financial liabilities designated at fair value through profit or loss[1]	18	18
Net result on non-trading financial assets mandatorily at fair value through profit or loss[2]	(68)	25
Funding costs associated with non-collateralised derivatives (FVA)[3][4]	19	25
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment)[3]	9	(11)
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)[3]	7	(13)
Net result of foreign exchange transactions	18	(16)
TOTAL	**(31)**	**(70)**
(1) Among which derivatives included in a fair value option strategy	*97*	*(56)*
(2) Among which derivatives included in an economic hedge strategy	*33*	*133*

(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) Includes EUR -30 million (EUR -149 million in 2020) of interest income and expenses on trading derivatives. Also includes an amount of EUR 43 million (EUR -75 million in 2020) related to the partial hedge of the ineffectiveness of fair value hedges.

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)	2020	2021
Fair value hedges	**57**	**(34)**
Fair value changes of the hedged item attributable to the hedged risk	2,365	(2,400)
Fair value changes of the hedging derivatives	(2 308)	2,366
Cash flow hedges	**0**	**(73)**
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	0	(73)
Portfolio hedge	**0**	**(1)**
Fair value changes of the hedged item	(37)	(190)
Fair value changes of the hedging derivatives	37	189
TOTAL	**57**	**(107)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	**(2)**	**3**

The fair value hedge ineffectiveness includes EUR 117 million income related to the early replacement of the benchmark index of fair value hedge derivative contracts indexed on GBP LIBOR.
The balance of the change (EUR -151 million) is mainly related to the evolution of the base rates, i.e. the difference between the short term spot rates and the Currency Basis Swaps when assets are hedged by Currency Interest Rate Swaps or have collateral paid in a different currency than the hedged item. These base rates have reversed between 2020 and 2021, which is the reason for the change in sign of the residual ineffectiveness.
The cash flow hedging result includes an amount of EUR -79 million due to the termination of swaps that hedged the financing of prepaid social housing UK loans.

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

(in EUR million)	2020	2021
Net gain (loss) on disposals of loans measured at FVOCI[1]	(29)	(22)
Net gain (loss) on disposals of bonds measured at FVOCI[2]	(36)	(29)
TOTAL	**(65)**	**(51)**

(1) 2021 includes a loss of EUR -16 million on the sale of a portfolio of loans on the French local public sector (EUR -21 million in 2020).
(2) 2021 includes a loss of EUR -27 million on the sale of USD 591 million of securities denominated in USD.

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

(in EUR million)	2020	2021
Net gain (loss) on disposals of loans measured at AC[1][2]	1	29
Net gain (loss) on disposals of bonds measured at AC[1][3]	0	(40)
Net gains (losses) on modified assets[4]	0	6
Net gain (loss) on redemption of borrowings and deposits	(4)	(5)
TOTAL	**(3)**	**(10)**

(1) Except for gains or losses on impaired securities, which are included in the cost of credit risk.
(2) Is mainly due to early repayment of loans.
(3) Dexia Crédit Local decided to reduce its risk concentrations on the «State of Illinois» exposure by selling USD 422 million of securities and on the "Republic of Italy" for EUR 412 million.
(4) See note 7.2.i.

5.6. Other income

(in EUR million)	2020	2021
Other banking income	1	0
Litigations[1]	3	50
Other income[2]	2	8
TOTAL	**6**	**58**

(1) Dexia Crédit Local is subject to an extensive legal and regulatory framework in the countries where it operates. In this legal context, Dexia Crédit Local may be involved in various legal actions, in particular civil, administrative and criminal proceedings and, as such, carries out a detailed review of pending litigation presenting a significant risk every quarter. The movements in reversals and allowances included respectively in notes 5.6 Other income and 5.7 Other expenses correspond to Management's updated estimate of these risks on the basis of the elements available at the time (procedures in progress, court decisions already taken, results of negotiations / settlement protocols, experience of other companies faced with similar cases, as well as, where appropriate, opinions and reports from independent legal experts).
(2) The final settlement of these disputes on the basis of court rulings and memoranda of understanding is recorded under "other income" and "other expenses" in notes 5.6 and 5.7 "Other income" also includes write-offs of commercial debts that are no longer due.

Details of the litigations can be found in Note 3.6.

5.7. Other expenses

(in EUR million)	2020	2021
Provisions for litigations[1]	(7)	(38)
Other expenses[2]	0	(14)
TOTAL	**(7)**	**(52)**

(1) Dexia Crédit Local is subject to an extensive legal and regulatory framework in the countries where it operates. In this legal context, Dexia Crédit Local may be involved in various legal actions, in particular civil, administrative and criminal proceedings and, as such, carries out a detailed review of pending litigation presenting a significant risk every quarter. The movements in reversals and allowances included respectively in notes 5.6 Other income and 5.7 Other expenses correspond to Management's updated estimate of these risks on the basis of the elements available at the time (procedures in progress, court decisions already taken, results of negotiations / settlement protocols, experience of other companies faced with similar cases, as well as, where appropriate, opinions and reports from independent legal experts).
(2) The final settlement of these disputes on the basis of court rulings and memoranda of understanding is recorded under "other income" and "other expenses" in notes 5.6 and 5.7 "Other income" also includes write-offs of commercial debts that are no longer due.

Details of the litigations can be found in Note 3.6.

5.8. Operating expenses

(in EUR million)	2020	2021
Payroll costs	(91)	(78)
General and administrative expenses	(198)	(179)
TOTAL	**(289)**	**(257)**

a. Payroll Costs

(in EUR million)	2020	2021
Compensation and salary expense	(58)	(53)
Social security and insurance expense	(23)	(21)
Employee benefits	(5)	(5)
Restructuring costs	(3)	5
Other	(2)	(3)
TOTAL	**(91)**	**(78)**

b. Employee information

(Average full time equivalent)	2020 Fully consolidated	2021 Fully consolidated
Executive staff	13	11
Administrative staff	470	468
TOTAL	**483**	**479**

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

			2021		
(Average full time equivalent)	France	Italy	Other Europe	USA	Total
Executive staff	6	2	1	2	11
Administrative staff	371	73	17	7	468
TOTAL	**377**	**75**	**18**	**9**	**479**

c. General and administrative expenses

(in EUR million)	2020	2021
Cost of premises	(5)	(3)
Rent expense(1)	(4)	(3)
Fees	(39)	(39)
IT expense	(70)	(64)
Software, research and development	(2)	(1)
Maintenance and repair	(1)	(1)
Insurance (except related to pensions)	(3)	(2)
Other taxes(2)	(65)	(54)
Other general and administrative expenses	(10)	(12)
TOTAL	**(198)**	**(179)**

(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 -51 million in 2021 and EUR -56 million in 2020) 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.

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

Depreciation and amortisation (in EUR million)	2020	2021
Depreciation of other tangible fixed assets(1)	(20)	(7)
Amortization of intangible assets	(11)	(12)
TOTAL	**(30)**	**(19)**

(1) In 2020, Dexia Crédit Local paid an indemnity of EUR -11 million for the early return of part of the premises hosting its head office.

Impairment

Nil.

Losses or gains

Nil.

5.10. Cost of credit risk

			2020		
(in EUR million)	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	0	(38)	(7)	(3)	(49)
Financial assets at amortised cost - Interbank debt securities	(1)	(56)			(57)
Financial assets at amortised cost - Customer debt securities	(14)	(51)	1		(65)
Financial assets at fair value through OCI - Customer loans and advances			5		5
Financial assets at fair value through OCI - Debt securities		9			9
Other accounts receivable	(1)		3		2
Off-balance sheet commitments		(1)	(2)		(3)
TOTAL	**(16)**	**(149)**	**(1)**	**(3)**	**(169)**

(1) POCI: Purchased or originated credit impaired debt instruments.

The year 2020 was 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 Phase 2 on the Tunisian counterpart to take into account the risks related to Covid-19 and the degradation of the Tunisian sovereign.

(in EUR million)	2021 Stage 1	Stage 2	Stage 3	POCI[1]	TOTAL
Financial assets at amortised cost - Interbank loans and advances		13			14
Financial assets at amortised cost - Customer loans and advances	1	25	20	4	50
Financial assets at amortised cost - Interbank debt securities[2]	1	69	(56)		14
Financial assets at amortised cost - Customer debt securities	10	37			47
Financial assets at fair value through OCI - Customer loans and advances		1	4		6
Financial assets at fair value through OCI - Debt securities					1
TOTAL	**13**	**146**	**(32)**	**4**	**130**

(1) POCI: Purchased or originated credit impaired debt instruments.
(2) The exposure on Tunisia has been moved from phase 2 to phase 3 following the deterioration of the economic situation in the country and the downgrade of the rating.

Detail

Stage 1	2020			2021		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Customer loans and advances			0		1	1
Financial assets at amortised cost - Interbank debt securities	(1)		(1)		1	1
Financial assets at amortised cost - Customer debt securities	(17)	3	(14)	(8)	17	10
Financial assets at fair value through OCI - Debt securities	(1)	1	0			0
Other accounts receivable	(1)		(1)			0
TOTAL	**(20)**	**4**	**(16)**	**(8)**	**20**	**13**

Stage 2	2020			2021		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Interbank loans and advances	(12)		(12)		14	13
Financial assets at amortised cost - Customer loans and advances	(81)	42	(38)	(47)	71	25
Financial assets at amortised cost - Interbank debt securities	(75)	19	(56)	(1)	70	69
Financial assets at amortised cost - Customer debt securities	(72)	21	(51)	(40)	77	37
Financial assets at fair value through OCI -Customer loans and advances	(13)	13		(11)	13	1
Financial assets at fair value through OCI -Debt securities		9	9			0
Off-balance sheet commitments	(2)	1	(1)	(2)	3	0
TOTAL	**(255)**	**106**	**(149)**	**(101)**	**247**	**146**

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 loans and advances	(2)	3		1
Financial assets at fair value through OCI - Customer loans and advances	(3)	8		5
Financial assets at fair value through OCI -Debt securities	(1)	4		3
Other accounts receivable	(2)			(2)
TOTAL	**(25)**	**31**	**(6)**	**(1)**

Stage 3	2021			
(in EUR million)	Additions	Recoveries	Losses	Total
Financial assets at amortised cost - Customer loans and advances	(14)	34		20
Financial assets at amortised cost - Interbank debt securities	(56)			(56)
Financial assets at amortised cost - Customer debt securities	(2)	2		0
Financial assets at fair value through OCI - Customer loans and advances		4		4
TOTAL	**(73)**	**40**	**0**	**(32)**

5.11. Net gains (losses) on other assets

(in EUR million)	2020	2021
Net gains (losses) on disposals of other fixed assets[(1)]	104	0
TOTAL	**104**	**0**

(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 (in EUR million)	**2020**	**2021**
Income tax on current year	20	(2)
Deferred taxes on current year	(19)	(53)
TAX ON CURRENT YEAR RESULT (A)	**0**	**(55)**
OTHER TAX EXPENSE (B)	**0**	**0**
TOTAL (A) + (B)	**0**	**(55)**

Effective corporate income tax charge

For large companies (those with turnover of more than 250 million euros), pursuant to the 2020 Finance Act, the corporate income tax rate is 27.5% for the fiscal years ending December 31, 2021. For the years 2022 and thereafter, the corporate income tax rate, as provided for by the current legislation, will be 25% on all taxable profits. The 3.3% social security contribution remains applicable (based on the amount of corporate income tax for the portion exceeding €763,000).

The deferred tax rate for the French companies of the Dexia Crédit Local Group is now 25.825% (25% rate, as in force from 2022, plus the 3.3% social security contribution) knowing that no deferred tax asset is recognised. The rate applied to the contributions of foreign subsidiaries is the one established locally in accordance with each national legislation.
The rate applied to foreign subsidiaries results is the one applicable locally according to the national legislation.
The average tax rate recorded in 2020 is 0.08% and -24.78% in 2021.

The difference with the French rate can be explained as follows:

(in EUR million)	2020	2021
Net income before tax	**(558)**	**(222)**
Tax base	**(558)**	**(222)**
Statutory tax rate	32,02%	28,41%
Theoretical corporate income tax at the standard rate	**179**	**63**
Impact of differences between foreign tax rates and the standard Belgian tax rate	(11)	9
Tax effect of non-deductible expenses	(74)	(4)
Tax effect of non-taxable income	2	1
Impact of items taxed at a reduced rate	(4)	0
Other additional taxes or tax savings	(29)	(7)
Tax effect from reassessment of unrecognised deferred tax assets	(62)	(116)
Tax on current year	**0**	**(55)**
Effective tax rate	**0,08%**	**(24,78%)**

Tax consolidation

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

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

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

6. Note on off-balance sheet items

These notes will be supplemented with the information in the following notes:
– note 7.3.: Information on guarantees
– note 1.2.d. paragraph "Nature of risks associated with Dexia's entities interests in consolidated structured entities"
– note 2.13: Transfer of financial assets
– note 4.3: Offsetting of financial assets and financial liabilities

6.1. Regular way trade

(in EUR million)	31/12/2020	31/12/2021
Assets to be delivered	0	260
Liabilities to be received	2,379	5,735

6.2. Guarantees

(in EUR million)	31/12/2020	31/12/2021
Guarantees given to credit institutions	277	251
Guarantees given to customers	433	428
Guarantees received from credit institutions	9	0
Guarantees received from customers	2,449	2,736
Guarantees received from the States(1)	55,442	48,104

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

6.3. Loan commitments

(in EUR million)	31/12/2020	31/12/2021
Unused lines granted to credit institutions	8	8
Unused lines granted to customers	460	287
Unused lines granted from credit institutions	5,985	2,111
Unused lines granted from customers	732	205

6.4. Other commitments

(in EUR million)	31/12/2020	31/12/2021
Financial instruments given as collateral and other commitments given	32,896	24,982
Financial instruments received as collateral other commitments received	6,097	3,061

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.

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

	31/12/2021		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	9,753	9,753	0
Debt securities	34,553	30,522	(4,031)
Interbank loans and advances	17,306	17,297	(8)
Customer loans and advances	23,860	19,890	(3,970)
Interbank borrowings and deposits	6,656	6,109	(547)
Customer borrowings and deposits	8,819	8,785	(34)
Debt securities	49,406	48,635	(771)
Subordinated debt	20	20	0

c. Methods used to determine the fair value of financial instruments

The following tables provide an analysis of the fair value of financial assets and financial liabilities, based on the degree to which the fair value is observable (Level 1 to 3). The fair value measurement is recurring for financial instruments at fair value. The non-recurring fair value measurement is not significant for Dexia Crédit Local.

Fair value of financial assets

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

Fair value of financial liabilities

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

Fair value of financial assets

(in EUR million)	31/12/2021 Level 1	Level 2	Level 3	Total
Cash and central banks		9,753		9,753
Financial assets at fair value through profit and loss		5,460	1,820	7,281
** Derivatives*		*5,460*	*1,820*	*7,281*
Financial assets designated at FVTPL		1,079	920	1,999
** Debt securities*		*201*	*2*	*203*
** Loans and advances*		*878*	*916*	*1,794*
** Equity instruments*			*2*	*2*
Hedging derivatives		589	73	662
Financial assets at fair value through OCI	275	924	703	1,902
** Debt securities*	*275*	*93*		*368*
** Loans and advances*		*805*	*698*	*1,503*
** Equity instruments*		*27*	*5*	*31*
Financial assets at amortised cost - Debt securities	20,465	9,426	631	30,522
Financial assets at amortised cost - Interbank loans and advances		17,213	84	17,297
Financial assets at amortised cost - Customer loans and advances		11,170	8,721	19,890
TOTAL	**20,740**	**55,615**	**12,951**	**89,306**

Fair value of financial liabilities

(in EUR million)	31/12/2021 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss		7,710	2,406	10,116
** Financial liabilities designated at fair value*		*812*		*812*
** Trading derivatives*		*6,898*	*2,406*	*9,304*
Hedging derivatives		6,207	10,508	16,714
Interbank borrowings and deposits		5,822	287	6,109
Customer borrowings and deposits		7,023	1,763	8,785
Debt securities	98	39,508	9,029	48,635
Subordinated debt			20	20
TOTAL	**98**	**66,270**	**24,012**	**90,380**

d. Transfer between level 1 and level 2

The tables hereunder present the amounts of financial instruments at fair value, for which fair value measurement is recurring, still in the books at the end of the period and for which the methodology of valuation has been changed between level 1 and level 2.

	31/12/2020		31/12/2021	
(in EUR million)	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets at fair value through other comprehensive income - debt securities	63	104	0	57
TOTAL FINANCIAL ASSETS	**63**	**104**	**0**	**57**
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**

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

e. Level 3 reconciliation

	2020								
(in EUR million)	Opening balance	Total gains/ losses in P&L	Unreal-ised or deferred gains/ losses	Sales	Settle-ment	Transfer into level 3	Transfer out of level 3	Other move-ments(1)	Closing
Non-trading financial assets mandatorily at fair value throught profit or loss									
Debt securities	232	(55)			(13)		(21)	(8)	135
Loans and advances	936	(137)			(50)	7	(11)	1,044	1,789
Equity instruments	17				(10)				7
Trading derivatives	1,874	145				85		(46)	2,058
Hedging derivatives	144	(29)						0	114
Financial assets at fair through other comprehensive income									
Debt securities	546	17	15	(126)			(393)	(36)	23
Loans and advances	287	(17)	8		(212)			815	881
Equity instruments	5								5
TOTAL FINANCIAL ASSETS	**4,041**	**(77)**	**23**	**(126)**	**(284)**	**93**	**(425)**	**1,769**	**5,013**
Derivatives held for trading	2,235	92	388			99		(72)	2,742
Hedging derivatives	9,732	1,813	45			3		(490)	11,103
TOTAL FINANCIAL LIABILITIES	**11,967**	**1,906**	**434**	**0**	**0**	**102**	**0**	**(562)**	**13,846**

(1) Other movements include exchange differences for companies in euros and translation differences for companies in foreign currencies. On the assets side, they amount to EUR -127 million recognized in the income statement and EUR -1 million recognised in Gains and losses recognised directly in equity. On the liabilities side, they amount to EUR -534 million recognised in the income statement and EUR -28 million recognised 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.

	2021								
(in EUR million)	Opening balance	Total gains/ losses in P&L	Unreal-ised or deferred gains/ losses	Sales	Settle-ment	Transfer into level 3	Transfer out of level 3	Other move-ments(1)	Closing
Non-trading financial assets mandatorily at fair value throught profit or loss									
Debt securities	135	(31)		(65)	(35)		(3)		2
Loans and advances	1,789	(10)		(3)	(750)	277	(456)	69	916
Equity instruments	7				(6)			1	2
Trading derivatives	2,058	(347)				146	(84)	47	1,820
Hedging derivatives	114	(17)					(25)		73
Financial assets at fair through other comprehensive income									
Debt securities	23	(17)	(7)						0
Loans and advances	881	5	6		(232)	12	(3)	30	698
Equity instruments	5								5
TOTAL FINANCIAL ASSETS	**5,013**	**(417)**	**(1)**	**(67)**	**(1,023)**	**435**	**(571)**	**148**	**3,516**
Derivatives held for trading	2,742	(397)				150	(103)	15	2,406
Hedging derivatives	11,103	(299)	(5)				(208)	(83)	10,508
TOTAL FINANCIAL LIABILITIES	**13,846**	**(696)**	**(5)**	**0**	**0**	**150**	**(311)**	**(68)**	**12,914**

(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 +147 million recognised in the income statement and EUR +1 million recognised in Gains and losses recognised directly in equity. On the liabilities side, they amount to EUR -100 million recognised in the income statement and EUR +32 million recognised in Gains and losses recognized directly in equity.

The amounts of transfers to level 3 or out of level 3 are the amounts of fair value at the closing date.

f. Sensitivity of the fair value of level 3 financial instruments to reasonably possible alternative assumptions

Dexia Crédit Local measures the fair value of the level 3 financial instruments using some unobservable inputs. As this unobservable character result 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 31st December 2021. 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)		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
Derivatives	Interest Rate	+/- one standard deviation		(10.4)	10.4
	Spread of CBS	+/- one standard deviation		(4.9)	4.9
	Inflation	+/- one standard deviation		(0.1)	0.1
Total				(390.2)	209.6

(in EUR million)		2021			
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		(0.03)	0.03
Loans	Credit spread	500 bps	75 bps	(218.0)	102.2
CDS	Credit spread	+/- one standard deviation		(11.4)	8.6
Derivatives	Interest Rate	+/- one standard deviation		(10.5)	10.5
	Spread of CBS	+/- one standard deviation		(10.5)	10.5
	Inflation	+/- one standard deviation		(0.3)	0.3
Total				(250.7)	132.1

The unobservable input in the valuation of bonds and credit default swaps (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 valuation, and consist of applying a shock of +/- one standard deviation to the credit spreads. The sensitivity of the bonds' fair value is estimated to range from EUR -0.03 million (reflecting a deterioration in the above mentioned inputs) to EUR +0.03 million (reflecting an improvement in the above mentioned inputs), while the sensitivity of the Credit Default Swaps fair value is estimated to range from EUR -11.4 million in the adverse scenario to EUR +8.6 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 valuing similar assets by Dexia Crédit Local. The impact of those alternative assumptions is estimated to be EUR -218 million for the worst case scenario to EUR +102.2 million for the best case scenario.

For level 3 derivatives, the unobservable market inputs are mainly the interest rate, the inflation and the currency basis spreads (CBS). The alternative assumptions used by Dexia Crédit Local are based on the dispersion of available market data by risk factor and pillar. The sensitivity of each derivative is then determined for a variation of +/- one standard deviation in these inputs. The total impact on the fair value is estimated to range between EUR -21.3 million for the worst case scenario and EUR +21.3 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 (Day One Profit).

7.2. Credit risk exposure

Dexia Crédit Local's credit risk exposure is expressed as Exposure at Default (EAD). It corresponds to the best estimate of the credit risk exposure in case of default.

EAD is one of the parameters used for the calculation of capital requirements, pursuant to Regulation (EU) No 575/2013 and as amended by Regulation (EU) 2019/876. Its definition varies depending on the approach used for the calculation of capital requirements. For the calculation of its own risk-weighted assets, Dexia Crédit Local uses both the standard approach and mainly the external ratings approach for securitisations.

- For loans and bonds, the EAD corresponds to the book value, taking into account accrued interest and the impact of hedge accounting;
- For derivatives, the EAD is calculated by applying the SA-CCR method as introduced by EU Regulation 2019/876 amending EU Regulation 575/2013 (Articles 274 to 280);
- For off-balance sheet commitments, the EAD represents the product of the amounts of the commitments (nominal) and a credit conversion factor (CCF). Dexia Crédit Local Group applies the standard method (art. 111 of Regulation (EU) 575/2013) for the determination of credit conversion factors.

As from 1 January 2021, Dexia Crédit Local has modified the EAD used for external communication purposes, in order to bring it in line with the EAD used in the COREP reporting. To this end, Dexia will now publish an EAD net of provisions as defined by IFRS 9. The total impact of this change on the EAD amount as at 31 December 2020 is very limited, at EUR 184 million. In order to allow comparison between different periods, a column has been added to the exposure tables as at 31 December 2020.

a. Concentration by credit risk

Concentration by geographic region

	31/12/2020		31/12/2021
(in EUR million)	Total EAD IFRS	Total EAD COREP	Total EAD COREP
France	20,962	20,976	19,528
Italy	18,585	18,483	16,335
Great Britain	20,648	20,549	18,116
Germany	657	645	743
United States	4,628	4,626	3,697
Spain	4,610	4,571	3,869
Japon	3,073	3,073	2,873
Portugal	3,673	3,666	3,381
Other European countries (2)	1,922	1,908	1,761
Canada	601	592	378
Central and Eastern Europe (3)	857	858	643
Switzerland	95	95	31
South and Central America	37	37	43
Scandinavian countries	92	92	63
Southeast Asia	6	6	5
Tunisia	113	113	51
Other (1)	1,412	1,866	1,578
TOTAL	**81,972**	**82,156**	**73,093**

(1) Includes the supranational entities
(2) Includes Belgium, the Netherlands, Luxembourg, Greece and Ireland.
(3) Includes Hungary and Austria

Concentration by sector of the counterparty

	31/12/2020		31/12/2021
(in EUR million)	Total EAD IFRS	Total EAD COREP	
Central governments	27,900	27,797	25,825
Local public sector(1)	33,237	33,165	28,128
Financial institutions	6,227	6,193	4,507
Corporates	5,558	5,553	5,815
Monoline	1,317	1,207	1,160
ABS/MBS	1,278	1,317	1,254
Project finance	6,456	6,321	5,921
Others (including Individuals, SME, self-employed)	0	604	484
TOTAL	**81,972**	**82,156**	**73,093**

(1) As at 31/12/2021, this category includes: EUR 0 million on Hungary, EUR 7,439 million on Italy, EUR 520 million on Portugal and EUR 2,683 million on Spain and as at 31/12/2020, this category includes: EUR 0 million on Hungary, 8,275 million on Italy, EUR 553 million on Portugal and EUR 3,055 million on Spain.

Exposure at Default (EAD) by credit rating grades

The tables below show the exposure in case of default of financial assets subject to an ECL impairment model introduced by IFRS 9 (see 1.1.6.2.5 Impairment on financial assets). The exposures are classified depending of the evolution of credit risk since initial recognition: exposures without significant deterioration in credit quality since initial recognition are allocated in Stage 1, exposures with significant deterioration in credit quality since initial recognition but that do not have objective evidence of a credit loss are allocated in Stage 2 and defaulted exposures are allocated in stage 3.

EAD COREP	31/12/2020											
	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
(in EUR million)	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	13,286	32		13,741	446			113				
Local public sector	4,436	668	2	15,400	4,998	34	69	4,360	130	6	10	1
Financial institutions	104			2,370	99		2			1		
Corporates				4,506	689	9		25	3			
Monolines				840	442	35						
ABS/MBS	1,178			1			25					
Project finance	18			1,855	1,421		65	835	168			
Others (including Individuals, SME, self-employed)	53				5							

(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 COREP	31/12/2021											
	AAA to AA-			A+ to BBB-			Non investment grade			Unrated		
(in EUR million)	Stage 1	Stage 2(1)	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Central governments	13,116	28		12,069	404				51			
Local public sector	2,915	485		14,983	3,128	28	44	4,117	115	1	39	1
Financial institutions	182			2,297	77		24					
Corporates				4,822	665	6		36	2			
Monolines				786	440	28						
ABS/MBS	1,130						28					
Project finance				1,904	1,546		66	707	141			
Others (including Individuals, SME, self-employed)	62			6								

(1) The rating takes into account the effects of credit risk mitigations. Exposures (EAD) in stage 2 may have rating grades AAA to AA-, due to the effect of the guarantees.

Purchased or originated credit impaired debt instruments

	31/12/2020 - IFRS		31/12/2020 - COREP		31/12/2021 - COREP	
(in EUR million)	AAA to AA-	Non "investment grade"	AAA to AA-	Non "investment grade"	AAA to AA-	Non "investment grade"
Central governments	40		35		38	
Local public sector	20	17	20	13	15	11

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

(in EUR million)	31/12/2020					31/12/2021		
	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure (old metric) IFRS	Other effects	Credit risk exposure (new metric) COREP	Credit risk exposure before financial effect of the collateral	Financial effect of the collateral	Credit risk exposure
a) Assets not subject to impairment								
Non trading financial assets mandatorily at FVTPL	3,537		3,537		3,537	2,008		2,008
Trading derivatives	5,540	2,656	2,884	(79)	2,805			2,417
Hedging derivatives	594	144	451	(11)	440			71
b) Assets subject to impairment								
Financial assets at fair value through OCI (excluding variable income securities)	3,397	35	3,362	(43)	3,319	1,883		1,883
Financial assets at amortised cost	69,148	102	69,046	(279)	68,768	64,434	105	64,328
c) Off balance sheet items								
Loans commitments granted	236		236		236	131		131
Assets pledged as collateral(1)	8,683	6,226	2,457	(8)	2,449	10,156	8,385	1,772
Other financial instruments				604	604	484		484
TOTAL	**91,135**	**9,163**	**81,972**	**184**	**82,156**			**73,093**

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

Following the implementation of CRR2 in June 2021, the exposure of derivatives is calculated using the SA-CCR approach. Therefore, it is no longer relevant to distinguish between the effects of collateral and the computational effects of this new methodology. The maximum exposure (before application of collateral) is therefore not presented for this type of product.
Dexia Crédit Local 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).
Only financial collaterals eligible under Basel and directly held by Dexia Crédit Local are considered.

c. Forbearance

Regarding Dexia Crédit Local activities, restructured loans include 3 different types of restructuring:
1. Restructuring related to commercial relationships with customers, which represented almost all restructuring until 2011.
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 decreased from EUR 421 million in 2020 to EUR 359 million in 2021. The decrease is mainly due to early forbearance outflows related to repayments on exposures in several cases.

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

There are no assets of this type in 2021.

e. Reconciliation of loss allowance amount variation

(in EUR million)	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.
	2020					
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**5**	**(1)**		**18**	**(1)**	**21**
Financial assets at amortised cost	**5**	**(1)**		**18**	**(1)**	**20**
- Interbank debt securities				1	0	1
- Customer debt securities	4	(1)		15	(1)	17
- Customer loans and advances	1			1	(1)	1
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)(1)	**159**	**42**	**(11)**	**118**	**(11)**	**296**
Financial assets at amortised cost	**147**	**37**	**(3)**	**123**	**(21)**	**283**
- Interbank debt securities	19			56	(3)	72
- Customer debt securities	31	33		18	(1)	81
- Interbank loans and advances	2			12		14
- Customer loans and advances	95	4	(3)	37	(17)	117
Financial assets at fair value through other comprehensive income	**12**	**5**	**(9)**	**(5)**	**10**	**13**
- Debt securities	9		(9)			0
- Customer loans and advances	3	5		(5)	10	13
Allowances for credit-impaired debt instruments (Stage 3)(2)	**130**	**(3)**	**(4)**	**(4)**	**(3)**	**117**
Financial assets at amortised cost	**120**			**2**	**(15)**	**106**
- Customer debt securities	3			(1)		2
- Customer loans and advances	117			2	(15)	103
Financial assets at fair value through other comprehensive income		**(3)**		**(2)**	**12**	**7**
- Customer loans and advances		(3)		(2)	12	7
Other accounts receivable	11	0	(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	**301**	**38**	**(16)**	**135**	**(14)**	**444**
Provisions on commitments and financial guarantees given						
Total provisions on commitments and financial guarantees given (Stage 2)	2	1				3
Total provisions on commitments and financial guarantees given (Stage 3)	6			2		8
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**8**	**1**	**0**	**2**		**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) Includes exchange differences, as well as the impacts of the reclassification of a portfolio of financial assets of the Remedial Deleveraging Plan of EUR 6.4 billion from the amortized cost category to the fair value through other comprehensive income category (EUR 3 billion), and to the fair value through profit or loss category (EUR 3.4 billion). In the first case, the total impact is nil: impairments are reclassified from the portfolio at amortized cost 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 or write-offs directly recognised in profit or loss.

(in EUR million)	2021 As at 1 Jan.	Transfers between stages[2]	Decreases due to derecognition	Changes due to change in credit risk[1]	Decrease in allowance account due to write-offs	Other adjustments[3]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**21**		**(1)**	**(11)**		**1**	**9**
Financial assets at amortised cost	**20**		**(1)**	**(11)**		1	**9**
- Interbank debt securities	1			(1)			0
- Customer debt securities	17		(1)	(9)		1	9
- Customer loans and advances	1			(1)			0
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)[1]	**296**	**(55)**	**(27)**	**(64)**		**2**	**153**
Financial assets at amortised cost	**283**	**(55)**	**(25)**	**(65)**		2	**141**
- Interbank debt securities	72	(56)		(13)		(3)	0
- Customer debt securities	81	(1)	(24)	(12)		5	48
- Interbank loans and advances	14			(13)			0
- Customer loans and advances	117	3		(27)			92
Financial assets at fair value through other comprehensive income	**13**		**(3)**	**1**			**12**
- Customer loans and advances	13		(3)	1			12
Allowances for credit-impaired debt instruments (Stage 3)[2]	**117**	**54**		**(22)**	**(1)**	**2**	**151**
Financial assets at amortised cost	**106**	**55**		**(18)**	**(1)**	2	**144**
- Interbank debt securities	0	*56*					56
- Customer debt securities	2						2
- Customer loans and advances	103	(2)		(18)	(1)	2	85
Financial assets at fair value through other comprehensive income	**7**			**(4)**			**3**
-Customer loans and advances	7			(4)			3
Other accounts receivable	**4**						**4**
Allowances for purchased or originated credit impaired debt instruments	**9**			**(4)**			**6**
Financial assets at amortised cost	**9**			**(4)**			**6**
- Customer loans and advances	9			(4)			6
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**444**	**(1)**	**(28)**	**(101)**	**(1)**	**5**	**318**
Provisions on commitments and financial guarantees given							
Total provisions on commitments and financial guarantees given (Stage 2)	3						2
Total provisions on commitments and financial guarantees given (Stage 3)	8						8
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**11**						**10**

(1) In 2021, impairments on receivables instruments in phase 2 decrease following the improvement of the COVID situation and macroeconomic scenarios, thus allowing reversals on exposures allocated in 2020.
(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. In particular, the exposure on Tunisia was moved from phase 2 to phase 3 following the deterioration of the economic situation in the country and the downgrading of the rating.
(3) Includes exchange differences.

In 2021, there were no recoveries directly recognised in profit or loss or write-offs directly recognised in profit or loss.

f. Purchased or originated credit impaired assets

	Undiscounted expected credit losses at initial recognition recognised during the period	
(in EUR million)	2020	2021
Financial assets at amortised cost	(13)	(13)

g. Reconciliation of gross carrying variation

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

(1) Increase of EUR +1.18 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 loan portfolio at Amortised cost relating to 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 -1.56 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 Amortised cost of the Remedial Deleveraging Plan of EUR 5.57 billion to the portfolio at fair value through other comprehensive income (EUR 2.63 billion) and to the portfolio at fair value 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 Amortised cost to the category fair value trough other comprehensive income as part of the Remedial Deleveraging Plan is 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 Amortised 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.

(in EUR million)	2021								
	As at 1 Jan.	Transfers between Stage 1 et Stage 2		Transfers between Stage 2 et Stage 3		Transfers between Stage 1 et 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	**85,887**							**(9,869)**	**76,018**
- Debt securities[(1)]	37,249							(2,580)	34,669
** stage 1*	*30,518*	*(68)*	*92*					*(1,371)*	*29,171*
** stage 2*	*6,693*	*68*	*(92)*	*(107)*				*(1,202)*	*5,360*
** stage 3*	*37*			*107*				*(7)*	*137*
- Interbank loans and advances[(2)]	21,512							(4,206)	17,306
** stage 1*	*21,421*							*(4,194)*	*17,227*
** stage 2*	*91*							*(12)*	*79*
- Customer loans and advances[(3)]	27,126							(3,083)	24,043
** stage 1*	*20,660*	*(110)*	*219*					*(2,461)*	*18,309*
** stage 2*	*6,004*	*110*	*(219)*		*13*			*(526)*	*5,382*
** stage 3*	*462*				*(13)*			*(97)*	*352*
FVOCI	**3,355**							**(1,469)**	**1,886**
- Debt securities[(4)]	1,065							(697)	368
** stage 1*	*1,041*							*(673)*	*368*
** stage 2*	*23*							*(23)*	*0*
- Interbank loans and advances	35							(35)	0
** stage 1*	*35*							*(35)*	*0*
- Customer loans and advances[(5)]	2,255							(737)	1,518
** stage 1*	*1,030*	*(22)*	*20*				*2*	*(378)*	*651*
** stage 2*	*1,187*	*22*	*(20)*					*(354)*	*836*
** stage 3*	*38*						*(2)*	*(5)*	*31*
Other accounts receivable	**96**							**(7)**	**89**
** stage 1*	*92*							*(8)*	*85*
** stage 3*	*4*								*4*

(1) Decrease of EUR -2.6 billion, mainly due to sales made to reduce the Group's concentration risk for EUR -0.8 billion, and to the impact of the evolution of interest rates on fair value hedges for EUR -2 billion.
(2) Decrease of EUR -4.2 billion, mainly due to the decrease of cash collateral paid by EUR -3.9 billion and the decrease of reverse repo operations by EUR -0.7 billion.
(3) Decrease of EUR -3.1 billion, mainly due to early repayments of loans for EUR -0.7 billion, and to the impact of the evolution of interest rates on fair value hedges for EUR -1.2 billion and on cash collateral paid for EUR -0.5 billion.
(4) Decrease of EUR -0.7 billion, mainly due to sales made as part of the proactive deleveraging strategy for EUR -0.5 billion.
(5) Decrease of EUR -0.7 billion, mainly due to sales in the framework of the proactive deleveraging strategy for EUR -0.6 billion.

The transfers are those as at 31 December 2021.

h. Credit risk on loans and advances designated at fair value through profit or loss

Dexia Crédit Local no longer holds loans and advances designated at fair value through profit or loss.

i. Modified assets

During 2021, certain restructuring operations of assets at amortised cost without "substantial" modifications (no derecognition) have been carried out with the recognition of a gain on modification (gain or loss on the first day of the transaction day one profit) (see note 5.5 Net gains or losses on financial assets at amortised cost) for an amount of EUR 6 million.

(in EUR million)	2021
Amortised cost before modification	502
Gain or loss on the first day of the transaction	6
Carrying amount after modification	508

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)	31/12/2020		31/12/2021	
	Fair values of collateral held	Fair value of collateral sold or repledged	Fair values of collateral held	Fair value of collateral sold or repledged
Debt securities	955	955	0	0
TOTAL	**955**	**955**	**0**	**0**

Collateral is obtained in connection with the repurchase agreement activities.

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

(in EUR million)	31/12/2020	31/12/2021
Carrying amount of financial assets pledged as collateral for liabilities	53,852	45,862

The amount of EUR 46 billion in 2021 an of EUR 54 billion in 2020 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) of EUR 1,197 million in 2021 and EUR 1,245 million for 2020.

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 Crédit Local 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 Crédit Local's 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 BOR-OIS risk 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 2021, total consumption in VaR was EUR 1.2 million against EUR 1.1 million at the end of 2020.

(in EUR million) **VaR (10 days, 99%)**	**2020**	**2021**
Average	1.5	1.1
End of period	1.1	1.2
Maximum	20.3	1.49
Minimum	1	0.91

Sensitivity to the evolution of credit spreads 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 2021 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 -1.1 million as at 31 December 2021 against EUR -2.2 million as at 31 December 2020. The portfolio classified at fair value through profit or loss had a sensitivity to an increase in credit spreads of EUR -1.1 million as at 31 December 2021 compared to EUR -2.1 million as at 31 December 2020. Of these assets classified at fair value through profit or loss, those not meeting the SPPI criterion had a lower sensitivity at EUR -0.7 million per basis point at the end of 2021 against EUR -1 million a year earlier.

Transformation risk

Dexia Crédit Local's asset and liability management (ALM) aims to reduce liquidity risk as far as possible, and to limit exposure to interest rate and foreign exchange risk.
The actions undertaken by Dexia Crédit Local in 2021 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% shift on the yield curve. The main indicator used to determine limits and to measure and monitor risk is the sensitivity of the net present value of accrued interest positions to interest rate fluctuations. The overall and partial sensitivities by time bucket are the main risk indicators used by the ALM Risk Committee, organised within the ALCO, to manage risk. The Dexia Group's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia's assets and liabilities after hedging for interest rate risk. The sensitivity of long-term ALM was EUR -39.6 million at 31 December 2021 against EUR -14.3 million at 31 December 2020. This is in line with the ALM strategy, which seeks to minimize net interest margin volatility.

(in EUR million)	**2020**	**2021**
Sensitivity	(14.3)	(39.6)
Limit	+/-130	+/-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

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

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

b. Analysis of liabilities excluding shareholders' equity

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

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

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

(in EUR million)	**Demand**	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Undetermined maturity**
NET LIQUIDITY GAP AS AT 31/12/2020	**10,335**	**(19,913)**	**(9,897)**	**(23,908)**	**31,656**	**22,811**

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

(in EUR million)	31/12/2021 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	9,753									9,753
Financial assets at fair value through profit or loss		29	72	417	1,355	21	463	6,923		9,280
of which Trading derivatives							*449*	*6,832*		*7,281*
Hedging derivatives							150	512		662
Financial assets at fair value through OCI		220	244	277	1,125	32	9	11	(15)	1,902
Financial assets at amortised cost - Debt securities	1	6	172	1,263	24,350		260	8,617	(116)	34,553
Financial assets at amortised cost - Interbank loans and advances(1)	1,055		16	73		16,168	(4)	(2)		17,306
Financial assets at amortised cost - Customer loans and advances(1)		87	380	1,784	10,752	5,772	63	5,206	(183)	23,860
Fair value revaluation of portfolio hedge								298		298
Accruals and other assets		111				11			(4)	118
Subtotal financial assets used to calculate the gap	*10,810*	*453*	*883*	*3,813*	*37,581*	*22,004*				
Non-financial assets						54				54
TOTAL	**10,810**	**453**	**883**	**3,813**	**37,581**	**22,059**	**941**	**21,565**	**(318)**	**97,786**

(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)	31/12/2021 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			5	129	463		346	9,174	10,116
of which Trading derivatives							*343*	*8,962*	*9,304*
Hedging derivatives							169	16,545	16,714
Financial liabilities at amortised cost - Interbank borrowings and deposits(1)		2,622	95	280	636	2,999	2	21	6,656
Financial liabilities at amortised cost - Customer borrowings and deposits(1)	223	8,267		1	288	45	(6)		8,819
Financial liabilities at amortised cost - Debt securities		9,667	9,217	24,555	5,464		203	299	49,406
Fair value revaluation of portfolio hedge								1	1
Subordinated debts					20				20
Accruals and other liabilities		216	7	8	22	2			255
Subtotal financial liabilities used to calculate the gap	*224*	*20,772*	*9,324*	*24,973*	*6,894*	*3,047*			
Non-financial liabilities						171			171
TOTAL	**224**	**20,772**	**9,324**	**24,973**	**6,894**	**3,217**	**714**	**26,040**	**92,158**

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

c. Net liquidity gap as at 31/12/2021

(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 31/12/2021	**10,586**	**(20,319)**	**(8,441)**	**(21,159)**	**30,688**	**18,958**

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

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

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

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

7.6. Currency risk

We also refer to Management Report, chapter Risk Management.

FX exposure in Dexia 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.

The 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's RWAs are linked to other than the euro denominated assets (GBP 44%, USD 10%, JPY 8%). Thus, if the EUR depreciates against other currencies, the RWA of other than the euro assets will weigh more in relative shares against the group capital. For illustration, a drop of 1% of the EUR against other currencies would induce an increase of the capital charge by EUR 14 million, without any economic impact.

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

Classification by original currency	31/12/2021					
(in EUR million)	EUR	GBP	USD	JPY	Other currencies	Total
Total assets	54,658	21,492	18,956	1,727	954	97,786
Total liabilities and shareholders' equity	55,145	21,490	18,909	1,727	516	97,786
NET BALANCE SHEET POSITION	**(487)**	**2**	**47**	**0**	**437**	**0**

7.7. Hedge accounting

Derivatives Held for Risk Management and Hedge Accounting

Dexia Crédit Local aims to minimize balance sheet mismatches between assets and liabilities in order to ensure the stability of its income, notably against interest rate risk and foreign currency risk.
Dexia Crédit Local has recourse to hedge accounting for specified financial assets or financial liabilities ("micro hedge") or for portfolios of fixed rate financial assets and portfolios of fixed rate financial liabilities ("macro hedge") which are exposed to a change in fair value due to movements in benchmark interest rates.
The fair value of fixed rate bonds (asset side) and issuances (liability side) are commonly hedged at inception using derivatives, documented as Fair Value Hedge (FVH).
The residual interest rate risk exposure is notably linked to portfolios composed of long-dated amortizing fixed rate loans of small notional amounts. It is managed from a macro-hedge perspective, through a natural hedge between fixed rate assets and liabilities, and using interest rate derivatives, documented as portfolio Fair Value Hedges under IAS 39 "carve-out" standard as adopted by the European Union ("European Portfolio Hedge", "EPH").
Dexia Crédit Local also hedges the benchmark interest rate risk of a part of its future floating rate issuances using interest rate derivatives, documented as Cash Flow Hedge (CFH).
The foreign currency exposure arising from foreign currency denominated financial assets or liabilities are micro hedged by Dexia Crédit Local using cross currency swaps documented as Cash Flow Hedges (CFH) of foreign currency risk.
Moreover, some Fair Value Through Profit or Loss (FVTPL) assets are economically hedged by derivatives which are classified as Held for trading derivatives under IFRS but included in the banking book for prudential reporting (economic hedge). These are mainly derivatives which are hedging non SPPI financial assets or financial assets held with an objective of realising cash flows through the sale of these assets. The volatility related to the interest risk of these assets is offset by the change in the fair value of the economic hedging derivatives but the volatility related to other risks and particularly credit risk remains.
As permitted by the transitional provisions of IFRS 9, Dexia Crédit Local maintained the current hedge accounting requirements of IAS 39 for all its micro and macro hedge relationships until the future standard on macro-hedging is entered into force.

(i) Fair Value Hedge of Interest Rate Risk

Dexia Crédit Local uses interest rate swaps or cross currency interest rate swaps to hedge its exposure to changes in the fair values of fixed rate liabilities (notes issued measured at amortised cost) and fixed rate or structured SPPI assets (mainly bonds measured at amortised cost or fair value through other comprehensive income) in respect of a benchmark (floating) interest rate. Floating/fixed interest rate swaps or floating/structured interest rate swaps are matched to balance sheet items so as to closely align with the critical terms of the hedged item.

Only the benchmark interest rate risk component is hedged using these derivatives in fair value hedge relationship. Other risks, such as credit risk, are managed but not hedged by Dexia Crédit Local. The interest rate risk component is determined as the change in fair value of the fixed rate balance sheet items arising solely from changes in benchmark interest rate curves. Such changes are usually the largest component of the overall change in fair value.

A derivative designated as a hedging instrument must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. The effectiveness of the hedge is verified by comparing changes in fair value of the hedged items attributable to changes in the hedged benchmark rate of interest with changes in the fair value of derivatives, with the expected ratio between the two changes ranging from 80% to 125%. The non-effective portion of the hedging relationship recognized in "Net result of hedge accounting" (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss") is mainly related to the difference in the discounting between the hedged item and the hedging instrument, as interest rate swaps are discounted using Overnight Index swaps (OIS) discount curves, while balance sheet item discounting is based on the benchmark interest rate documented in fair value hedge.

Changes in the fair value of derivatives in respect of Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA) are booked in the result of trading activities (see note 5.3. "Net gains (losses) on financial instruments at fair value through profit or loss").

(ii) Cash Flow Hedge of Interest Rate Risk and balance sheet items in foreign currencies

Dexia Crédit Local uses fixed/floating interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly Libor and Euribor), and cross currency swaps to hedge foreign currency risks (mainly US dollar and UK sterling) arising from its balance sheet items denominated in foreign currencies.

Cash Flow Hedge strategies are implemented:

– Either to transform non-EUR floating rate cash flows into EUR floating rate cash flows by the use of cross-currency swaps, so as to mitigate the existing Dexia Crédit Local's foreign currency exposure,

– Or to transform EUR floating rate cash flows into EUR fixed rate cash flows. Dexia Crédit Local hedges interest rate risk to the extent of benchmark interest rate exposure on its floating rate notes or its highly probable future floating rate issuances to mitigate variability in its cash flows.

Hedge accounting is applied where hedge relationships meet the hedge accounting criteria. Derivatives designated as hedging instruments must be highly effective both prospectively and retrospectively in offsetting changes in fair value or cash flows arising from the hedged risk. In addition, for cash flow hedges of its future floating rate issuances, Dexia Crédit Local demonstrates the highly probable nature of forecast cash flows.

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

Dexia Crédit Local applies fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities under IAS 39 "carve-out" standard as adopted by the European Union. The hedged risk corresponds to the exposure to changes in the fair value attributable to a benchmark interest rate risk, which is associated with a portfolio or an identified amount of a portfolio of financial assets or liabilities. Different categories of assets or liabilities and in particular loans or securities measured at amortised cost or fair value through other comprehensive income may be designated by Dexia Crédit Local as qualifying hedged items. Only vanilla interest rate swaps are used as hedging instruments.

Dexia Crédit Local demonstrates that a high degree of effectiveness exists both prospectively and retrospectively by periodically demonstrating that notional amounts on hedging derivatives and hedged items offset each other and no over-hedging situation exists.

As the exposure from the portfolio may change (for example due to a derecognition or modification of a hedged item or a hedging instrument), to avoid the situation of over-hedging, Dexia Crédit Local adjusts when needed the existing strategies by removing hedging instruments or by entering into new derivatives designated in EPH.

(iv) IBOR reform

Information on the reform for the replacement of the IBOR benchmark indices by alternative benchmark indices and on the impact of this reform on hedge accounting is presented in notes 1.1.2.5 Reform of benchmark rates (IBOR). As at 31 December 2021, the notional amount of hedging instruments for which there are uncertainties related to the interest rate reform amounts to EUR 53,406 million.

Quantitative information on all financial assets and liabilities affected by the interest rate reform is presented in note 4.8.

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

1. Detail of derivatives designated as fair value hedges

	31/12/2020				31/12/2021			
	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 deriva-tives	Hedging deriva-tives			Hedging deriva-tives	Hedging deriva-tives	
Interest rate derivatives	**57,737**	**1,019**	**16,563**	**(2,312)**	**55,864**	**478**	**13,621**	**2,365**
OTC options	11		2	1	10		2	1
OTC other	57,726	1,019	16,561	(2,313)	55,854	478	13,619	2,365
Rate and foreign exchange derivatives(*)	**5,529**	**122**	**2,780**	**3**	**4,255**	**61**	**2,363**	**1**
OTC other	5,529	122	2,780	3	4,255	61	2,363	1
TOTAL	**63,266**	**1,141**	**19,343**	**(2,309)**	**60,119**	**538**	**15,984**	**2,366**

(*) 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

	31/12/2020				31/12/2021			
	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	**836**	**11**	**226**	**(11)**	**359**	**3**	**104**	**34**
OTC other	836	11	226	(11)	359	3	104	34
Foreign exchange derivatives(*)	**1,190**	**65**	**408**	**58**	**2,273**	**109**	**278**	**28**
OTC other	1,190	65	408	58	2,273	109	278	28
TOTAL	**2,026**	**76**	**634**	**47**	**2,632**	**112**	**381**	**62**

(*) 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)	31/12/2020	31/12/21
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

	31/12/2020			31/12/2021		
	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	5,476	46	571	5,286	12	349
TOTAL	**5,476**	**46**	**571**	**5,286**	**12**	**349**

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

Nil.

b. Hedged items by risk category for each type of hedge

1. Fair value hedges

(in EUR million)	31/12/2020 Carrying amount of the hedged item	31/12/2020 Accumulated amount of hedge adjustments included in the carrying amount of assets/liabilities	31/12/2020 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2021 Carrying amount of the hedged item	31/12/2021 Accumulated amount of hedge adjustments included in the carrying amount of assets/liabilities	31/12/2021 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness
Financial assets at fair value through OCI	1,001	125	21	658	65	(109)
Interest rate risk	*1,001*	*125*	*21*	*658*	*65*	*(109)*
Financial assets at amortised cost - Debt securities	30,879	10,722	1,338	27,522	8,617	(1,600)
Interest rate risk	*30,879*	*10,722*	*1,338*	*27,522*	*8,617*	*(1,600)*
Financial assets at amortised cost - Interbank loans and advances	68	8	(2)	65	(2)	(10)
Interest rate risk	*68*	*8*	*(2)*	*65*	*(2)*	*(10)*
Financial assets at amortised cost - Customer loans and advances	12,950	6,403	1,291	11,770	5,206	(1,456)
Interest rate risk	*12,950*	*6,403*	*1,291*	*11,770*	*5,206*	*(1,456)*
Interbank borrowings and deposits	218	26	4	215	21	(5)
Interest rate risk	*218*	*26*	*4*	*215*	*21*	*(5)*
Debt securities	41,213	1,053	278	39,222	299	(770)
Interest rate risk	*41,213*	*1,053*	*278*	*39,222*	*299*	*(770)*
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**3,466**	**16,179**	**2,365**	**578**	**13,565**	**(2,400)**

2. Cash flow hedges

(in EUR million)	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	31/12/2021 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2021 Cash flow hedge reserve	31/12/2021 Cash flow hedge reserve for discontinued hedges
Financial assets at fair value through OCI	4	7		(2)	10	
Foreign exchange risk	*4*	*7*		*(2)*	*10*	
Financial assets at amortised cost - Debt securities	(44)	(135)		(4)	(131)	
Foreign exchange risk	*(44)*	*(135)*		*(4)*	*(131)*	
Financial assets at amortised cost - Customer loans and advances	(21)	(44)		(3)	(41)	
Interest rate risk	*(2)*	*55*		*12*	*43*	
Foreign exchange risk	*(20)*	*(99)*		*(15)*	*(84)*	
Interbank borrowings and deposits	(14)	(212)	(43)	126	(86)	(41)
Interest rate risk	*(9)*	*(217)*	*(43)*	*121*	*(96)*	*(41)*
Foreign exchange risk	*(5)*	*5*		*5*	*10*	
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**(47)**			**(135)**		
TOTAL		**(383)**	**(43)**		**(248)**	**(41)**

3. Net investment hedge

Nil.

4. Portfolio fair value hedge of interest rate risk

	31/12/2020	31/12/2021
(in EUR million)	Carrying amount of the hedged item	Carrying amount of the hedged item
Financial assets at fair value through OCI	432	153
Financial assets at amortised cost - Customer loans and advances	4,240	4,117
Debt securities	290	111

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

1. Derivatives designated as fair value hedges

	31/12/2020				31/12/2021			
	Maturity				Maturity			
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interest rate derivatives								
* Notional amount (in EUR million)	3,622	2,130	28,488	23,497	3,187	7,043	23,637	21,998
* Average fixed interest rate	1.06%	1.52%	1.11%	3.10%	1.42%	1.25%	0.97%	2.88%
Interest rate and foreign exchange derivatives								
* Notional amount (in EUR million)	1,281	8	1,231	3,009			1,407	2,848
* Average EUR-USD exchange rate	0.8177		1.0989	1.2068			1.0989	
* Average EUR-JPY exchange rate								163.6927
* Average USD-JPY exchange rate	117.6471			116.9825				
* Average USD-GBP exchange rate				0.5600				
* Average fixed interest rate	2.58%	2.79%	1.71%	3.19%			1.71%	3.09%

2. Derivatives designated as cash flow hedges

	31/12/2020				31/12/2021	
	Maturity				Maturity	
	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	1 to 5 years	Over 5 years
Interest rate derivatives						
* Notional amount (in EUR million)	16	110	71	638	181	177
* Average fixed interest rate	3.84%	1.57%	5.48%	3.70%	3.03%	3.97%
Interest rate and foreign exchange derivatives						
* Notional amount (in EUR million)			1,054	136	2,103	170
* Average USD-GBP exchange rate				0.5079		0.5079
* Average EUR-USD exchange rate			1.0842		1.1205	

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

1. Fair value hedges

	31/12/2020		31/12/2021	
	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI
(in EUR million)	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Gains and losses directly recognised in equity of the balance sheet	Net gains (losses) on financial instruments at fair value through profit or loss of the consolidated statement of income	Gains and losses directly recognised in equity of the balance sheet
Interest rate risk	53		(35)	
Foreign exchange risk	3		1	
TOTAL	**56**		**(34)**	

2. Cash flow hedges

	31/12/2020			31/12/2021		
	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	(11)			109		(75)
Foreign exchange risk	58			26		2
TOTAL	**47**	**0**	**0**	**135**	**0**	**(73)**

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

b. Geographic reporting

(in EUR million)	France	Ireland	Italy	United States	Total
As at 31 December 2020					
NET BANKING INCOME[1]	**(92)**	**115**	**(195)**	**(2)**	**(174)**
As at 31 December 2021					
NET BANKING INCOME[1]	**11**	**(55)**	**(25)**	**(7)**	**(76)**

(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.

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2021

To the shareholders' meeting of Dexia Crédit Local,

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information specifically required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report. This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Dexia Crédit Local for the year ended December 31, 2021.
In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1, 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of Matter

We draw attention to:
- the change in accounting method relating to the application of the IFRS IC decision of April 20, 2021 on IAS 19, Employee benefits, concerning certain post-employment benefits, as disclosed in Note 1.1.2.1 to the consolidated financial statements,
- the change in presentation of "Tax" amounts in the Consolidated statement of comprehensive income, as disclosed in Note 1.1.2.6 to the consolidated financial statements.

Our opinion is not modified in respect of these matters.

Justification of Assessments – Key Audit Matter

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.
It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.
These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Going concern basis of accounting used to prepare the financial statements
(See Notes 1.1.1.2, 1.4.1, 1.5.1 and 4.4.c) to the Consolidated Financial Statements)

Key Audit Matter	How our audit addressed the key audit matter
Dexia Crédit Local's ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on December 28, 2012. This plan, further reassessed by the Dexia Crédit Local Board of Directors on December 16, 2021, is based, among others, on the following assumptions and uncertainties: – the macro-economic assumptions underlying the business plan are revised every six months. In its latest update, the business plan incorporates a "central" macro-economic scenario based on the ECB reference scenario published in June 2021, supplemented by scenarios published by the national central banks where available; – the business plan assumes that the Dexia Crédit Local banking license and the Dexia Crédit Local credit rating will be maintained at a level equivalent to or greater than Investment Grade level; – the continuation of the resolution plan assumes that Dexia Crédit Local maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian, and French States as well as on Dexia Crédit Local's capacity to raise secured borrowings. Since January 1, 2022, Dexia Crédit Local issuances benefit from the 2022 guarantee issued by the Belgian and French States, extending the 2013 guarantee which expired on December 31, 2021; – finally, Dexia Crédit Local is sensitive to changes in its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads. A negative change in these parameters in the long term could weigh heavily on the Group's liquidity and solvency. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, whose changes in fair value, recognized in income or equity, may result in a change in the level of the Group's regulatory capital. The assessment of all the elements supporting the business plan must also be made in the specific complex and evolving context of the global crisis linked to the Covid-19 pandemic. After taking account of all of the items presented above, Dexia Crédit Local management considered that they do not call into question either the fundamental aspects of the Group's orderly resolution or the application of the going concern basis of accounting for the preparation of the consolidated financial statements, in accordance with IAS 1, Presentation of Financial Statements. Considering all of the elements presented above, we consider the assessment of the application of the going concern basis of accounting for the preparation of the financial statements for the year ended December 31, 2021 to be a key audit matter.	We have examined the most recent assessment by the Dexia Crédit Local Executive Committee and Board of Directors of the Group's ability to continue as a going concern during 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 implemented the following procedures prescribed by professional standard IAS 570 "Going Concern": – through discussions with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia Crédit Local; – we assessed the design and implementation of the internal control process with regard to liquidity projections; – we have considered the main regulatory ratios as of December 31, 2020 (Liquidity Coverage Ratio, Total Capital, Net Stable Funding Ratio) in light of the requirements applicable at that date to the Dexia Group; – concerning the global crisis due to the Covid-19 pandemic, we have taken note of Management's assessment of its effects on the operational continuity of Dexia Crédit Local; – we have discussed with management the assumptions underlying the most recent version of the business plan revised at the end of June 2021 and approved by the Board of Directors on December 16, 2021; – we have considered the renewed guarantee agreement, known as the "2022 guarantee", which entered into effect on January 1, 2022; – concerning the events after the reporting date relating to the situation in Ukraine and the consequences of the sanctions taken against Russia, we have considered the assessment by management of the effects on the business continuity of Dexia Crédit Local. Finally, we assessed the appropriateness and relevance of the going concern disclosures in the notes to the consolidated financial statements, including the uncertainties surrounding the main assumptions underlying the preparation of the financial statements on a going concern basis.

Consequences of the strategic refocusing of the group *(See Notes 1.1.6.2.1, 1.3 and 2.3 to 2.7 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
On the initial recognition of financial assets in accordance with IFRS 9, Dexia Crédit Local management exercised judgment when analyzing (i) the contractual terms and (ii) the business model. On July 19, 2019, the Board of Directors of Dexia Crédit Local approved the roll-out of an asset divestment program called the "Remedial Deleveraging Plan", as mentioned in Note 1.3. This decision was analyzed, in relation to IFRS 9, as a change in business model occurring in the second half of 2019. Pursuant to IFRS 9, the change in business model led to the reclassification as of January 1, 2020 (i.e. the first day of the following reporting period) of the relevant financial asset portfolios previously recognized at amortized cost, to the categories «financial assets at fair value through equity» or «financial assets at fair value through profit or loss» depending on the business models defined by management and approved by the Board of Directors. The effect of the reclassification of this portfolio of assets was -€104 million on 2020 income and - €92 million on Group equity. In addition, Dexia Crédit Local exercised its judgement to determine the appropriate assessment level of its business model. Any major planned sale of financial assets held in the business model where the objective is to collect contractual cash flows over the term of the financial instrument is analyzed by the Transaction Committee and must be authorized by the Executive Committee and the Board of Directors. Given the accounting impacts in the consolidated financial statements and the accounting constraints applicable to business models under IFRS accounting standards, we considered the accounting recognition of the consequences of the strategic refocusing of the Group to be a key audit matter.	We have assessed, with respect to the applicable accounting standards, Dexia Crédit Local's judgement of its business model for the management of financial assets. In this respect, we performed the following procedures: – reading the minutes of the main governance committee meetings; – reviewing the accounting consequences of the decisions of the governance bodies formerly recording the change in business model for several financial asset portfolios in 2020 with: (i) analysis of the criteria used by the governance bodies to present financial assets in accounting categories with an impact on income or equity, and examination of their compliance with the accounting standards; (ii) review of journal entries for the reclassification of assets according to the applicable rules adopted; (iii) the use of our experts to critically review, on a sample basis, the valuation of the portfolios of assets reclassified into fair value accounting categories. – Reviewing the means of monitoring sales of financial assets classified in the "amortized cost" accounting category. Finally, we reviewed the disclosures in the notes to the consolidated financial statements regarding the analysis of the business model adopted for the management of financial assets, as well as the reclassification of financial assets between categories.

Operational risks linked to the information systems *(See Note 1.6 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
As a banking group, Dexia Crédit Local is dependent, for its operational activities, on the reliability and security of its information systems. Its activities take place in the specific context of the management of the existing asset portfolios in rundown, in the context of the orderly resolution plan validated by the European Commission on December 28, 2012. In this context, and in order to ensure operational continuity, Dexia Crédit Local has outsourced its IT function (development, production and infrastructure) and back offices to an external service provider. Dexia Crédit Local has also decided, since the 2018 financial year, to entrust the upgrade and management of the IT infrastructure to the same service provider. Due to the global crisis relating to the Covid-19 pandemic, all employees were also required to work from home to ensure business continuity. The measures adopted by the Group exposed it to new risks, particularly relating to the opening of information systems in order to secure remote access to transaction processing applications. In this specific context, the management of operational risk related to the performance of the information systems and the automated treatment of accounting and financial information is considered to be a key audit matter.	The assessment of the general IT controls used throughout the accounting and financial information processing chains is a key step in our audit approach. The audit work performed, some of which was carried out directly at the external service provider, with the assistance of our IT specialists, consisted in particular of: – understanding the structure of the IT landscape and the processes and controls related to the production of the accounting and financial information; – examining the way Dexia Crédit Local handled the impacts of IT incidents that occurred during the accounting period and the related corrective actions implemented; – assessing the operating effectiveness of general IT controls in a context marked by the Covid-19 health crisis and the need for the Group's employees to work from home (access right management to the applications and data, change management and application development, and management of the IT operations) and the key automated controls on significant information systems; – performing procedures on manual journal entries, related to write access rights, and reviewing journal entries and their documentation; – understanding the control and supervision framework currently deployed by Dexia Crédit Local related to the key services rendered by the external service provider in the context of the outsourcing in the context of the Covid-19 pandemic health crisis. Finally, we have reviewed the disclosures in the notes to the Consolidated Financial Statements on the operational risks with relation to the information systems.

Assessment of credit risk and measurement of impairment *(See Notes 1.1.6.2.5, 1.1.26, 1.3, 1.4.1, 2.4 to 2.7, 3.6, 5.10 and 7.2 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
The impairment recorded by Dexia Crédit Local to cover the credit risks inherent in its banking activities is determined in accordance with the provisions of IFRS 9, and therefore the principle of expected credit losses. The measurement of the expected credit losses on financial assets requires the use of judgment by management, particularly in the context of uncertainty surrounding the global crisis due to the Covid-19 pandemic, especially for: – assessing the level of credit risk and the potential significant increase in credit risk to classify exposures under stage 1 and stage 2; – assessing the level of credit risk and the existence of an objective impairment indicator for the classification of exposures in stage 3; – estimating for each stage the amount of expected losses; – setting up, in a climate of uncertainty, macro-economic projections to be integrated at the same time in the criteria used for the increase in credit risk and for the measurement of expected losses; – identifying sensitive sectors impacted by the global crisis due to the Covid-19 pandemic and assessing the impact of the crisis on credit risk assessment for the relevant counterparties. As of December 31, 2021, the gross amount of financial assets exposed to credit risk was €77,993 million; total impairment amounted to €299 million and the cost of risk for Dexia Crédit Local in 2021 was a net reversal of €130 million. As the classification of exposures in the different credit risk stages and the determination of expected losses require management's judgment and estimates in a context marked by the Covid-19 health crisis, we considered the assessment of the level of credit risk to be a key audit matter.	We have assessed the design and implementation of Dexia Crédit Local's internal control framework for credit risk and have tested the operating effectiveness of the key controls related to the assessment of credit risk and the measurement of expected losses. Our procedures included, among others, the following processes: – Governance : • we have taken note of the internal control system governing the definition and validation of the impairment models and the parameters used to calculate this impairment, and of the work and conclusions of the risk management department concerning the internal validation of the IFRS 9 impairment models; • we focused in particular on management's assessment of the impacts of the health crisis on provisions for outstanding loans. – Classification of exposures per stage: • we have checked the appropriate classification of outstanding amounts by stage; • we analyzed the Group's assessment of the impacts of the health crisis on asset classification; • with the assistance of our specialists in charge of credit risk, we have validated the methodologies adopted by Dexia Crédit Local for the measurement of the increase in credit risk and its correct operational implementation in the information systems. – Measurement of expected losses: • we assessed the methodologies adopted to determine the parameters used for the impairment calculation and their changes in the context of the crisis, their correct operational implementation in the information systems and the effectiveness of the key controls regarding data quality; • for the specific impairment on financial assets classified in stage 3, we have assessed, based on the management assumptions and data used to estimate impairment. • we also assessed the reasonableness and appropriateness of the macro-economic projections made by management, the definition of various scenarios and the weighting levels adopted by the Group. Finally, we reviewed the disclosures in the notes to the consolidated financial statements, particularly the qualitative and quantitative items relating to the impacts of the global crisis due to the Covid-19 pandemic on credit risk assessment.

Valuation of financial instruments classified in level 3 in the fair value hierarchy *(See Notes 1.1.2.5, 1.1.7, 1.1.26, 1.5.2, 2.3, 2.4, 3.1, 4.1, 4.8, 5.3, 5.4, 7.1 to the Consolidated Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
In conducting its market activities, Dexia Crédit Local holds financial instruments as assets and liabilities classified in level 3 in the fair value hierarchy. These instruments are recorded at fair market value estimated by valuation models, for which the parameters are either unobservable or cannot be corroborated directly with publicly available market data. The fair value calculated may be subject to additional value adjustments to take into account certain market, liquidity and counterparty risks, including for the derivatives: – Credit Value Adjustment (CVA): takes into account the risk of counterparty default; – Debit Value Adjustment (DVA): takes into account Dexia Crédit Local's own credit risk; – Funding Value Adjustment (FVA): takes into account the financing costs for the non-collateralized derivatives; – and the use of a discounting curve based on a daily rate curve (OIS). The techniques used by Dexia Crédit Local to value financial instruments, as well as to determine additional value adjustments, involve significant judgment as to the methodologies defined, the choice of valuation parameters and adjustments to fair value, as well as in the selection and use of internal valuation models. These financial instruments classified at level 3 in the fair value hierarchy, described in Note 7.1, represent €12,951 million in assets (14.5% of financial assets measured at fair value) and €24,012 million in liabilities (26.6% of liabilities measured at fair value) on the consolidated balance sheet at December 31, 2021. Finally, Dexia Crédit Local is impacted by the financial instruments benchmark reform (IBOR). Due to the substantial outstanding amounts and the material judgement used to determine the market value, we considered the measurement of financial instruments classified in level 3 to be a key audit matter.	We have assessed the relevance of the key controls defined and implemented by Dexia Crédit Local in the context of the valuation of financial instruments classified in level 3, in particular those relating to: – The governance set up by the risk department to validate and verify valuation models; – The determination of fair value adjustments. We also relied on our valuation experts to conduct, based on samples: – A review of the level of reserves and material value adjustments. We have notably analyzed the relevance of methodologies implemented and conducted an analytical review of impacts recognized; – An analysis of the relevance of the valuation parameters used; we notably analyzed the relevance of the data used and assessed compliance with the hierarchy of sources; – An independent valuation review using our own models. – We have also examined the system for calculating and exchanging collateral on derivative instruments and have analyzed the main calculation differences with the counterparties for these instruments in order to confirm our assessment of the reliability of the valuations performed by Dexia Crédit Local. Furthermore, we verified that there were no material changes in the financial instrument classification criteria adopted by the Group for the fair value levels as defined by IFRS 13. Finally, we reviewed the disclosures in the notes to the consolidated financial statements relating to the benchmark rate reform (IBOR) and the valuation of financial instruments with regard to the requirements of IFRS 13.

Specific verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of the Board of Directors dated March 24, 2022. We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Other Legal and Regulatory Verification or Information

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of December 17, 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work..

Appointment of the statutory auditors

We were appointed statutory auditors of Dexia Crédit Local by the Shareholders' Meeting of May 16, 2008 for Deloitte & Associés and June 28, 1996 for Mazars.

As of December 31, 2021, Deloitte & Associés was in its 14th year of uninterrupted engagement and Mazars in its 26th year.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

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

Objectives and Audit Approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

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

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

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

Paris la Défense, April 26, 2022

The Statutory Auditors

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

Financial statements

Balance sheet

Assets

(in EUR million)		Note	As at 31/12/2020	As at 31/12/2021
I.	Cash, central banks and postal checking accounts	2.1	9,861	9,673
II.	Government securities	2.2	7,969	9,314
III.	Interbank loans and advances	2.3	11,623	5,961
IV.	Customer loans and advances	2.4	15,257	12,540
V.	Bonds and other fixed-income securities	2.5	12,214	12,667
VI.	Equities and other variable-income securities	2.6	6	0
VII.	Long-term equity investments	2.7	285	312
VIII.	Intangible assets	2.8	19	6
IX.	Tangible fixed assets	2.9	2	2
X.	Unpaid capital		0	0
XI.	Uncalled capital		0	0
XII.	Treasury stock		0	0
XIII.	Other assets	2.10	23,138	20,214
XIV.	Accruals	2.10	3,676	4,457
TOTAL ASSETS			**84,050**	**75,146**

Liabilities and equity

(in EUR million)		Note	As at 31/12/2020	As at 31/12/2021
I.	Central banks and postal checking accounts		0	0
II.	Interbank borrowings and deposits	3.1	6,349	3,377
III.	Customer deposits	3.2	6,307	8,360
IV.	Debt securities	3.3	56,198	48,663
V.	Other liabilities	3.4	3,778	3,246
VI.	Accruals	3.4	7,092	7,292
VII.	Provisions for risks and charges	3.5	790	536
VIII.	Subordinated debt	3.6	56	56
IX.	General banking risks reserve		0	0
EQUITY			**3,480**	**3,616**
XI.	Capital stock	3.7	279	279
XII.	Additional paid-in capital		2,588	2,588
XIII.	Reserves and retained earnings		1,060	613
XVII.	Net income (loss) for the year		(447)	136
TOTAL LIABILITIES AND EQUITY			**84,050**	**75,146**

Off-balance sheet items

(in EUR million)	Note	As at 31/12/2020	As at 31/12/21
COMMITMENTS GIVEN			
I. Financing commitments given	*4.1*	2,441	1,731
II. Guarantee commitments given	*4.2*	3,063	2,190
III. Other commitments given	*4.3*	20,961	13,229
COMMITMENTS RECEIVED			
IV. Financing commitments received	*4.4*	5,985	2,111
V. Guarantee commitments received	*4.4*	8,145	6,842
VI. Commitments related to securities	*4.5*	192	0
VII. Commitments related to foreign currency transactions	*4.6*	60,080	49,191
VIII. Commitments related to forward and derivative financial instruments	*4.7*	204,682	208,362

Income statement

(in EUR million)		Note	As at 31/12/2020	As at 31/12/2021
I.	Interest income	5.1	1,800	1,451
II.	Interest expense	5.1	(1,655)	(1,313)
III.	Income from variable-income securities	5.2	1	3
IV.	Fee and commission income	5.3	0	2
V.	Fee and commission expenses	5.3	(14)	(13)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	5.4	84	41
VI. B	Net gains (losses) on available-for-sale portfolio transactions	5.4	(104)	266
VI. C	Net gains (losses) on held-to-maturity portfolio transactions	5.4	4	19
VII.	Other banking income	5.8	1	3
VIII.	Other banking expenses	5.8	0	(1)
NET BANKING INCOME (LOSS / PROFIT)			**117**	**458**
IX.	General operating expenses	5.5	(273)	(237)
X.	Depreciation and amortisation		(11)	(12)
GROSS OPERATING INCOME (LOSS / PROFIT)			**(167)**	**209**
XI.	Cost of risk	5.6	(18)	(99)
OPERATING INCOME (LOSS / PROFIT) AFTER COST OF RISK			**(185)**	**110**
XII.	Net gains (losses) on non-current assets	5.7	(264)	0
INCOME (LOSS / PROFIT) BEFORE TAX			**(449)**	**110**
XIII.	Non-recurring items	5.9	1	26
XIV.	Corporate income tax	5.10	1	0
XV.	Net change in general banking risks reserve		0	0
NET INCOME (LOSS / PROFIT)			**(447)**	**136**
BASIC EARNINGS PER SHARE (EUR)			(1.60)	0.49
FULLY DILUTED EARNINGS PER SHARE (EUR)			(1.60)	0.49

Appendix to the financial statements

Presentation and valuation rules

1.1. Significant events in the financial year

The significant events in the financial year were:

Crediop

In 2021, Dexia Crediop completed the transfer to Dexia Crédit Local Paris and Dublin of a portfolio of assets with a nominal value of EUR 3.2 billion, composed of loans, bonds and associated hedging derivatives. These securities were transferred at their net book value in Dexia Crediop's financial statements and not at their market value. The transfer of the bond portfolio was recorded in the accounting category of investment securities.

Dexia also implemented a programme to transfer 25 interest rate swaps executed with Dexia Crediop's clients, representing a total outstanding amount of EUR 1.8 billion. During the year, 11 swaps were transferred to Dexia Crédit Local. The transfers will continue in 2022, depending on the consents of the counterparties.

The transfers thus carried out had no impact on Dexia Crédit Local's statement of income.

Furthermore, the Group adapted and optimised the funding mix of its subsidiary following the asset transfers carried out during the year. In particular, Crediop reimbursed two liquidity lines previously put in place with payment of indemnities. At the same time, two new liquidity lines were negotiated, with a one-year extension of maturity.

Valuation of equity investments

As at 31 December 2021, the valuation of the Dexia Holding Inc. participation in the Dexia Crédit Local financial statements is estimated at EUR -91 million in value in use. The Dexia Holding Inc. participation was recorded at a zero value in the corporate financial statements of DCL as at 31 December 2020.

Given the deterioration in the value of the subsidiary in 2021, the zero value of the of Dexia Holding Inc. participation was maintained in the statutory financial statements of Dexia Crédit Local as at 31 December 2021. Furthermore, based on the assumptions retained, it is likely that the debt held by Dexia Crédit Local on Dexia Holding Inc. resulting from the intra-group refinancing of the entity will never be repaid to Dexia Crédit Local. Consequently, the loan granted to Dexia Holding Inc. of USD 100 million (EUR 88 million) has been considered as irrecoverable and impaired in its entirety.

Reform of the benchmark indices (IBOR)

In order to enhance the reliability and transparency of the short-term benchmark rates (IBOR), a reform has been initiated at a global level aiming at replacing these indices by new risk-free rates such as ESTR (EUR), SOFR (USD) and SONIA (GBP).

During the year 2021, Dexia focused principally on the transition of its contracts indexed on GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA in view of the termination of those indices on 1 and 3 January 2022 respectively. In particular, the group:

- adhered in June 2021 to the ISDA Protocol, which led to an automatic amendment, from the beginning of 2022, of the master agreements with the bilateral counterparties which had also adhered to the Protocol. In addition, for certain derivative contracts, from 2021 the Group renegotiated in advance the addition of new replacement clauses directly with the counterparties. With regard to derivative contracts processed with clearing houses, the replacement of the index for the variable leg of instruments indexed on EONIA and GBP LIBOR took place on 15 October and 17 December 2021 respectively;
- transitioned its EUR cash collateral arrangements related to derivatives and repo contracts with OTC counterparties to ESTR;
- completed the process of updating or implementing appropriate replacement arrangements for the vast majority of its securities, loans and credit lines and financing contracts affected by the transition phase.

This reform of the indices did not have a significant impact on the 2021 social accounts.

1.2. Management of operational risk during the period of resolution

In 2021, the Dexia Crédit Local Group continued to adapt its structure and operational processes to its orderly resolution mandate. 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 persons, a possible demotivation of staff or the modification of treatment processes. In particular, projects to outsource certain activities may represent a source of operational risk during the implementation phases, but in the medium term should ensure the Group's operational continuity and limit the operational risks associated with systems, processes and people.

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

Psychosocial risks are closely monitored at Dexia Crédit Local and accompanied by prevention and support actions.

A new teleworking agreement was signed unanimously with the trade unions representing Dexia Crédit Local. It allows all members of staff to benefit, on a voluntary basis, from teleworking up to three days a week.

1.3. Events after the closure of the accounts

Dexia Crédit Local carefully monitors the repercussions of the conflict in Ukraine on the financial markets and, more generally, on the geopolitical context. The Group has no direct exposure to Ukraine or Russia. It has an indirect exposure to the Croatian subsidiary of a Russian bank, via a deposit the amount of which is not significant. Moreover, Dexia Crédit Local has no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).
At this stage, Dexia Crédit Local has not observed any deterioration in the short-term guaranteed debt market or in the secured financing market likely to penalise its funding capacity. The Group has a liquidity reserve of EUR 13.1 billion as at 31 December 2021 and this reserve is calibrated to enable it to face stressed market conditions.

1.4. Accounting policies and valuation methods used to present the financial statements

Going concern

The Dexia Crédit Local statutory financial statements as at 31 December 2021 have been prepared in accordance with the going concern accounting rules. This involves a certain number of assumptions constituting the business plan underlying the Dexia Group's resolution which was the subject of a decision by the European Commission in December 2012 and reassessed on the basis of the elements available at the date of closing the accounts.
The main assumptions used by management to prepare the statutory financial statements for the year ended 31 December 2021 and the 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 as well as the maintenance of the rating of Dexia Crédit Local at a level equivalent or higher than Investment Grade.
- The continuation of the resolution assumes that Dexia Crédit Local maintains a good funding capacity which relies in particular on the appetite of investors for the debt guaranteed by the Belgian and French States as well as on Dexia Crédit Local's ability to raise secured funding. Since 1 January 2022, Dexia Crédit Local's debt issuances have benefited from the 2022 guarantee, which extends the 2013 guarantee, which expired on 31 December 2021 (cf. Note 4.8.b. to the financial statements in this Annual report).
- Although it manages these risks very proactively, Dexia Crédit Local remains extremely sensitive to the evolution of the macroeconomic environment and to market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters in the long term could weigh on the Group's liquidity and solvency level. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through equity and are likely to result in a change in the Dexia Group's regulatory capital level.
- Until their effective disposal, Dexia Crédit Local remains exposed to the evolution of the fair value of the assets targeted for sale within the context of the deleveraging programme validated by Dexia's Board of Directors in 2019[1]. Nevertheless, the successful execution of this plan has significantly reduced this source of sensitivity, which at 31 December 2021 amounted to EUR 2.2 million per basis point for all assets measured at fair value, of which EUR 1.5 billion per basis point for the assets targeted for sale in the context of the deleveraging programme.
- Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates and which have been reinforced by the teleworking context imposed by the Covid-19 pandemic.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of Dexia Crédit Local's resolution could lead to a significant change in the initially anticipated resolution trajectory.

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

- Since the Group entered into orderly resolution, Dexia Crédit Local has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to prudent liquidity management. The acceleration of asset sales decided in the summer of 2019 has in particular allowed a significant reduction in Dexia Crédit Local's funding requirement, particularly in US dollars. In particular, in 2021, the funding requirement was reduced by EUR 7.7 billion to EUR 61.6 billion as at 31 December 2021. Furthermore, during 2021, Dexia Crédit Local maintained a sustained execution of its funding programme, enabling it to complete its annual long-term refinancing programme in July. Five long-term public transactions were launched by Dexia Crédit Local in euros, pounds sterling and US dollars, for a total amount of EUR 5 billion. Indeed, Dexia Crédit Local was able to maintain a liquidity reserve deemed adequate with the restriction of access to European Central Bank (ECB) funding effective since 1 January 2022(2). This liquidity reserve amounted to EUR 13.1 billion, of which EUR 11.1 billion in cash as at 31 December 2021.
- Within the framework of half-yearly reviews, an update of the Dexia Group's financial projections was presented to Dexia's Board of Directors on 16 December 2021. It includes a "central" macroeconomic scenario, based on the ECB reference scenario published in June 2021, supplemented by the scenarios published by the national central banks when available. This central scenario takes into account a strong economic recovery after the 2020 shock. However, Dexia considered this scenario to be too favourable as the effect of the 2020 shock on defaults is delayed in time. Therefore, a cautious approach was adopted, taking into account the macroeconomic evolution since the beginning of the crisis and not only from the end of 2020. For example, the GDP growth for the euro area used for 2021 in the point-in-time parameters (-2.5%) is the aggregate of the GDP evolution observed in 2020 (-6.8%) and the GDP projection for 2021 in the ECB scenario (+4.6%).
- Management has also taken into account the constraints and uncertainties of its operating model as well as the risks related to the continuity of operations, inherent to Dexia Crédit Local's specific character as a bank in resolution.

(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 Euro-system for liquidation structures as from 31 December 2021.

Consequently, after having taken all these elements and uncertainties into account, Dexia Crédit Local's management confirms that as at 31 December 2021, they do not call into question the fundamentals of the orderly resolution of the Dexia Group or the assessment of the application of the going concern assumption. The rules applied for the preparation of the balance sheet, the income statement and the off-balance sheet follow the principles of banking presentation. These financial statements are presented in accordance with the principles and standards contained in European Council Directives governing the financial statements of banking institutions, in compliance with Regulation No. 2014-07, relating to the accounts of banking sector companies.

a. Changes in accounting policies and valuation methods applied to the financial statements

The accounting policies applied to the annual financial statements have been modified following the amendment by the ANC (French Authority for Accounting Standards) in November 2021 of its Recommendation n° 2013-02 of 7 November 2013 relating to the accounting policies and valuation methods applied to the retirement and post-employment benefits. Thus, since 31 December 2021 and in accordance with an accounting policy choice introduced by the ANC, the expense related to certain post-employment benefits is allocated between the date that enables to reach the maximum retirement benefit and the retirement date. This concerns benefits, the amount of which depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service, and provided that an employee is still employed by the entity at retirement date. This change, resulting in a change in accounting method, has no significant impact on Dexia Crédit Local's financial statements as at 31 December 2021.
Moreover, with the objective of operational simplification linked to the follow up of deferred tax assets under French accounting standards and considering the unrealised tax losses and the Group's orderly resolution, Dexia Crédit Local decided to abandon the deferred tax method, that is not mandatory and was applied until 31 December 2020 in its annual financial statements. This change in accounting method has no accounting impact on Dexia Crédit Local's annual accounts.

b. Measurement of items in the balance sheet, off-balance sheet and income statement in the summary financial statements

The financial statements have been prepared in accordance with the rules of prudence and generally accepted accounting principles based on fundamental assumptions:
- going concern assumption;
- independence of accounting periods;
- consistency of methods.

Customer loans

Any loans approved but not yet disbursed are shown as off-balance sheet items.
Current and accrued interest on customer loans is recognised in banking income on an accrual basis, as is the interest on overdue payments. Interest on non-performing loans reported in net banking income is neutralised by the recognition of an equivalent amount of impairment.
Related fees and commissions received and incremental transaction costs on extending or acquiring credits, if significant, are spread over the effective life of the loan. Other fees received are recorded directly to income.
For both accounting and tax purposes, all early repayment penalties on loans recognised up to 31 December 2004 will continue to be amortised over the remaining life of the related loans in proportion to the outstanding interest that would have had to be paid. The balance of outstanding penalties to be amortised is classified under deferred income. Since 1 January 2005, all early repayment penalties on loans have been taken into income at the repayment date.
Customer loans are stated in the balance sheet net of provisions for possible losses. They are broken out into four separate categories: performing loans, restructured performing loans, non-performing loans under collection and doubtful non-performing loans.
A loan is considered to be non-performing as soon as it carries an incurred credit risk which makes it probable that Dexia Crédit Local will not recover all or part of the amounts due under the counterparty's commitment. Any loan is classified as non-performing:
- if one or more repayments are more than three months overdue, or, regardless of whether any payments have been missed, if it can be assumed that there is an incurred risk, in accordance with the prudential definition of default published by the European Banking Authority and regulation published by the ECB as single supervisor;
- or if a loan is considered as contentious and subject to legal proceedings (formal alert procedures, file for bankruptcy…).

When a loan is non-performing, an impairment loss is recorded corresponding to the difference between the carrying amount of the asset and the present value of estimated future recoverable cash flows discounted at the financial assets' effective interest rate, taking into account the financial situation of the counterparty, its economic perspective and any guarantees net of the cost of realizing any payment from the guarantor. Interest is written down in full.
Non-performing loans are considered to be doubtful as soon as their repayment becomes highly uncertain and it becomes apparent that they will eventually be written off.
Non-performing loans are downgraded from "under collection" to "doubtful" either one year at the latest after becoming non-performing, or immediately if the loan had previously been classified as a restructured performing loan. The interest on these loans is no longer included in interest income once they have been classified as doubtful non-performing.
Loans that have been restructured under non-market conditions are included in the restructured performing loans category until their final maturity. They are written down for impairment in an amount equal to the present value of the future interest payments gap. This write-down is taken immediately into expense under the cost of risk and is reversed into income on an accrual basis over the remaining term of the loan.

Securities transactions

The securities held by Dexia Crédit Local are recorded on the balance sheet under the following asset headings:
- government securities eligible for Central Bank refinancing;
- bonds and other fixed-income securities;
- equities and other variable-income securities.

In accordance with Regulation n° 2014-07, they are broken out in the notes to the financial statements into "Held-for-trading securities", "Available-for-sale securities", "Held-to-maturity securities" and "Portfolio securities".

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

Held-for-trading securities

Held-for-trading securities are securities traded on a liquid market that are purchased or sold with the intention of being sold or repurchased within a short period of time. The Dexia Crédit Local held-for-trading portfolio consists primarily of adjustable-rate bonds. Held-for-trading securities are taken to the balance sheet at cost, including accrued interest and excluding acquisition costs. At each period end, they are marked to market and the resulting unrealised gain or loss is taken to the income statement.

Available-for-sale securities

These consist of securities that are not recognised as held-for-trading securities, held-to-maturity securities, portfolio securities, other long-term investments, investments in associates or investments in related parties.

The portfolio consists primarily of fixed and adjustable-rate bonds, but also includes some variable-income securities. Fixed-rate bonds are generally hedged against interest rate risks by means of interest rate and/or currency swaps classified as hedges. The use of this technique has the effect of creating synthetic adjustable or variable-rate assets that are immunised against interest rate risks.

Available-for-sale securities are taken to the balance sheet at cost, excluding acquisition costs and accrued interest, which are recorded separately. Any premiums or discounts, corresponding to the difference between the acquisition cost and redemption price, are recorded on the balance sheet and amortised to the income statement on a quasi-yield-to-maturity basis over the remaining life of the securities. This method is applied to all securities in the portfolio.

At the reporting date, in application of the prudence principle, available-for-sale securities are recorded on the balance sheet at the lower of their acquisition cost and their selling price at the reporting date, after taking into account gains on micro hedging transactions for purposes of calculating the reduction in their value.

If no active market is available for a given financial instrument, valuation techniques are used to calculate the realisable value (or the market value, as defined elsewhere in the notes) of the instrument. The valuation model should take into account all the factors that market participants would consider when pricing the asset. In such cases, Dexia Crédit Local uses its own valuation models, taking account of market conditions at the date of the valuation as well as of any changes in the credit risk quality of these financial instruments and market liquidity.

If the potential decrease in the value of the securities exceeds the related unrealised hedging gain, a provision corresponding to the difference is deducted from the securities' carrying amount. A reserve is booked on the liabilities side of the balance sheet for any unrealised hedging losses that are not offset by an increase in the market value of the hedged securities.

Gains and losses on disposals of marketable available-for-sale securities are calculated on a FIFO basis.

Any available-for-sale securities transferred to the held-to-maturity portfolio are transferred at cost.

Any provisions for impairment that are no longer required at the date of transfer are released to the income statement over the remaining life of the securities.

Held-to-maturity securities

Held-to-maturity securities consist of fixed-income securities with fixed maturities that have been acquired or transferred from "available-for-sale securities" and "held-for-trading securities" with the explicit intention of being held to maturity.

They are either financed with back-to-back resources or hedged in order to neutralise the effect of interest rate fluctuations on earnings. The hedging instruments used consist solely of interest rate and/or currency swaps.

The use of these specific, allocated hedges has the effect of creating synthetic adjustable - or variable-rate assets that are immunised against interest rate risks.

Held-to-maturity securities are stated at cost, excluding acquisition costs and accrued interest at the date of acquisition, which are recorded separately. Premiums and discounts, representing the difference between the cost of the securities, excluding accrued interest, and the redemption price, are amortised on a yield-to-maturity basis over the remaining life of the securities.

Unrealised gains are not recognised, and no provisions are booked for unrealised losses at the balance sheet date except in cases where:

- the ability of the issuer to honor its repayment obligations appears uncertain;
- it is probable that the securities will not be held to maturity due to a change in circumstances.

Should held-to-maturity securities be sold or transferred to another portfolio category for an amount that is material relative to the total value of all held-to-maturity securities, Dexia Crédit Local would no longer be authorised to classify any securities previously or subsequently acquired as held-to-maturity until the third following full fiscal year, unless said sale or transfer does not call into question the bank's intention of maintaining its other held-to-maturity securities until their actual maturity (e.g. sale of one particular held-to-maturity security whose issuer's credit quality has deteriorated significantly, or in the case of held-for-trading or available-for-sale securities that were previously transferred into held-to-maturity under extraordinary market conditions that required a change of strategy and which may once more be traded on an active market). All previously acquired held-to-maturity securities are reclassified as "available-for-sale securities" at their carrying amount at the same time that the other securities are reclassified.

Portfolio securities

This category includes variable-income securities purchased on a regular basis with the intention of selling them at a profit in the medium-term. At the time of purchase, the company has no intention of investing in the long-term development of the issuer's business or of actively participating in its day-to-day management.

Portfolio securities are taken to the balance sheet at cost excluding acquisition costs. At each period end, they are stated at the lower of historical cost and fair value to the Group. Fair value is determined based on a range of criteria, including the issuer's outlook and the length of the estimated holding period. For listed securities, fair value is the average market price determined over a sufficiently long period in view of the estimated holding period to eliminate the impact of any wide swings in market prices. At each period end, and for each line of securities, if the fair value represents less than carrying amount, a provision is booked for the unrealised loss. For the purpose of determining the provision, unrealised losses are not netted against unrealised gains, which are not recognised.

Gains and losses on disposals of portfolio securities are determined on a FIFO basis.

Sale and repurchase agreements and lending of securities

Securities may be sold under repurchase agreements, lent or borrowed for the purpose of reducing Dexia Crédit Local's short-term liquidity cost.
The securities may or may not be physically delivered to the buyer.
When securities are sold under a repurchase agreement, a debt corresponding to the value of the repurchase commitment is recognised on the balance sheet. The interest paid on the funds received is recognised in the income statement on an accrual basis.
Gains and losses on repurchase agreements are calculated using the same method as for outright sales, depending on the portfolio from which the securities were taken.
Transactions involving the simultaneous cash sale and forward purchase of the same securities are accounted for in the same way as repurchase agreements. The cash held in connection with repurchase agreements is periodically adjusted to take account of changes in the market value of the securities during the term of the contract, so as to reduce the credit risk incurred by the buyer as a result of any impairment in value of the collateral represented by the securities.
Loaned securities are reclassified as receivables for an amount equal to the carrying amount of the loaned securities. At each balance sheet date, the receivable is remeasured using the valuation principles applicable to the securities that have been loaned.
Borrowed securities are recorded as held-for-trading securities, with a contra entry to a liability to the lender. At each balance sheet date, the borrowed securities and the corresponding liability are remeasured using the valuation principles applicable to held-for-trading securities. Borrowed securities and the corresponding debt are presented on a net basis under "Other liabilities".

Long-term investments

Investments in associates

Investments in associates represent investments that are intended to be useful to the Group's activities over the long term. They are intended to be held on a long-term basis to exercise influence or control over the issuer.
They are stated at cost excluding any related acquisition costs. At the balance sheet date, these shares are measured at the lower of cost and value in use, which represents the amount that the company would be willing to pay in order to obtain these securities if it had to acquire them, taking into consideration its objective in holding them. This value in use is estimated by reference to various criteria such as the profitability and profitability outlook of the issuer, shareholders' equity and the economic environment. Unrealized losses, calculated for each line of securities, are recognized as an impairment without offsetting by any unrealized gains. Unrealized gains are not recognized. In accordance with Regulation n° 2014-07, differences arising on translation at the year-end rate of investments denominated in foreign currencies that are financed in euros are taken to equity, under "Accumulated translation adjustments", and not to the income statement.
In the event of disposal of part of the Group's interest in an associate, the resulting gain or loss is determined on a FIFO basis.

Other long-term investments

This category comprises variable-income securities acquired with the aim of developing long-term business ties with the issuer, although Dexia Crédit Local is not in a position to influence the management of the issuer due to the small proportion of voting rights held. Other long-term securities are taken to the balance sheet at cost, excluding acquisition costs. At each period end, they are stated at the lower of historical cost and fair value. The fair value is determined for listed and unlisted securities held over the long term based on the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. Gains and losses on disposals of long-term investment securities are determined on a FIFO basis.

Tangible and intangible assets

These assets are stated at cost and depreciated or amortised using the straight-line method over their estimated useful life, at the rate at which their future economic benefits are consumed.
Unless otherwise stated, furniture and fixtures are depreciated over ten years and office equipment generally over five years. Software is amortised over three to five years.

Other assets

This heading includes mainly collateral (guarantee deposits) receivable under swap transactions, which is recognised at its carrying amount.

Debt securities

Debt securities include bonds and negotiable debt securities.

Bonds

Bonds are recorded at face value. All related accrued interest is computed at contractual rates and recorded under interest expense.
Zero-coupon bonds are recorded at their issue price. At each period end, accrued interest for the period, computed on the basis of the yield to maturity announced at the time of issue, is charged to the income statement as expenses on debt securities and an equivalent amount is added to the debt on the liabilities side of the balance sheet until the maturity date so as to gradually increase the carrying amount of the debt to the amount repayable at maturity.
Bond issuance costs are deferred and amortised on a straight-line basis over the life of the bonds. Since 1 January 2005, premiums paid or received on bonds acquired by Dexia Crédit Local are recognised directly through profit or loss.
Bonds denominated in foreign currencies are accounted for in the same way as foreign currency transactions.

Negotiable debt securities

Negotiable debt securities are stated at face value. Interest on medium-term notes, BMTN (domestic short- or medium-term notes) and negotiable certificates of deposit is recorded under "Interest expense" on an accrual basis. Prepaid interest on commercial paper is recorded under "Accrued assets" on the transaction date and amortised over the residual life of the paper.

Discounts and premiums on debt securities

Bond discounts and premiums and redemption premiums are amortised on a straight-line basis over the remaining life of the bonds from the date of acquisition. They are recorded on the consolidated balance sheet under the relevant liabilities accounts. Amortisation is taken to the income statement under "Interest expense on bonds and other fixed-income securities".

Other liabilities

This heading includes mainly collateral (guarantee deposits) payable under swap transactions, which is recognised at its carrying amount. The debt representing the value of borrowed securities included in this item is presented net of the value of these borrowed securities.

Reserves

Provisions for risks and charges are set aside at their present value when:

- Dexia Crédit Local has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

General (or collective) provisions on customer loans are included in this heading. These provisions cover the risk of loss in value not covered by specific impairment where at the balance sheet date there is objective evidence that probable losses are present in certain segments of the portfolio or other lending-related commitments, followed up under the watch list process, that have been granted forbearance[1] measures or that belong to a "sensitive" economic sector[2]. These losses are estimated based upon historical patterns of default rate and losses in each segment and adjusted to the current macro-economic environment to date and forward looking over the next 3 years.

Regulatory tax reserves are set aside in the financial statements for accelerated tax depreciation. Reserves against forward and derivative financial instruments are booked in accordance with the rules specified in the paragraph concerning forward and derivative financial instruments.

Retirement and other post-employment benefits are calculated in accordance with the local regulations applicable in each country and are recognised as expenses for the year. These commitments are recalculated each year using an actuarial method and recognised under reserves in accordance with Recommendation 2013-02 on the evaluation and recognition of pension liabilities for annual and consolidated accounts prepared in accordance with French accounting standards.

As of 31 December 2020, these reserves also included provisions for deferred taxes.

Subordinated liabilities

Subordinated debts include funds received from the issuance of dated or undated notes or debt, which in the event of liquidation of the issuer may only be repaid after all other creditor claims have been settled. Accrued interest payable on subordinated debts, if any, is recorded as related payables and as an expense in the income statement.

Subordinated redeemable notes issued by Dexia Crédit Local are considered as Tier 2 capital for the purpose of calculating the European capital adequacy ratio, in accordance with EC Regulation n° 575/2013.

(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.

Forward and derivative financial instruments

Dexia Crédit Local uses forward and derivative financial instruments in the normal course of business, mainly as hedges against interest rate and currency risks and, to a lesser extent, in order to take advantage of favourable interest rate and currency trends. The instruments used include interest rate and/or currency swaps, FRAs, caps, floors, interest rate options, futures, credit default swaps and credit spread options.

Forward and derivative financial instruments are valued and accounted for in four transaction categories, in accordance with Regulation n° 2014-07 based on the initial purpose of the transaction.

The four transaction categories are specific hedges, macro-hedges, isolated open positions and specialist portfolio management; each has its own rules for measurement and recognition.

For transactions in all categories, the commitment or notional amount is recorded as an off-balance sheet commitment over the life of the contract, i.e. from the date of signing of the contract to its maturity or the start date of the reference period in the case of forward rate agreements. The amount of the commitment is adjusted to reflect any changes in notional amounts, so as to show at all times the maximum current or future commitment. Each contract is recorded separately and is classified in one of the above four categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Upfront equalisation payments on hedging transactions are amortised over the remaining life of the instrument. All transactions are amortised on a quasi-yield-to-maturity basis.

Hedging transactions

Micro hedging

Micro-hedges are used to cover interest rate risks on a specific item or group of items with similar characteristics, identified at the outset. The criteria applied to determine whether transactions qualify as micro-hedges are as follows:

- the hedged item must contribute to the bank's overall exposure to fluctuations in prices or interest rates;
- the contracts must be purchased or sold for the specific purpose, and must have the specific effect, of reducing the bank's exposure to fluctuations in prices or interest rates in respect of the hedged item and must be identified as such at the outset.

Instruments meeting this definition consist primarily of swaps acquired as micro-hedges of primary issues, bonds held in the "available-for-sale" and "held-to-maturity" portfolios and customer loans. The hedging instruments have the effect of creating synthetic variable- or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Expenses and income on micro-hedges are recorded in the income statement in the same way as the expenses and income on the hedged item or group of similar items.

In cases where the hedged item is repaid early (or disposed of), the following accounting treatment is applied to the equalisation payment received or paid due to the early unwinding of the hedging instrument:

- if the hedge was unwound before 1 January 2005, the equalisation payment is spread over the remaining life of the cancelled transaction;
- if the hedge was unwound on or after 1 January 2005, the equalisation payment is recognised in profit or loss during the period in which the hedge was unwound. However, the

equalisation payment paid by Dexia Crédit Local is charged against income only for the portion that exceeds gains not yet recorded in income on the symmetric position.
In both cases, deferred equalisation payments are recorded in accrued assets or liabilities.
In the case where the hedging item is unwind or replaced by another instrument with continuation of the hedged instrument, the equalization payment is spread over the remaining life of the hedged item.

Macro hedging

This category includes contracts that are intended to hedge and manage Dexia Crédit Local's overall exposure to interest rate risks on assets, liabilities and off-balance-sheet items, other than micro-hedges, contracts representing isolated open positions and contracts acquired for specialist portfolio management purposes.
Macro-hedges have the effect of reducing Dexia Crédit Local's overall exposure to interest rate risks on its business transactions.
Expenses and income on macro-hedges are recorded in the income statement on an accrual basis under "Interest expense on macro-hedges" and "Interest income on macro-hedges". The contra entry is recorded on the balance sheet in an accruals account until such time as the funds are collected or disbursed.
In the event of the unwinding of a macro-hedge, the equalisation payment is recognised as follows:

- equalisation payments on swaps unwound before 1 January 2005 are amortised when the unwinding of the position is not linked to a prior change in the over-all interest rate risks to be hedged, or are taken into income symmetrically to those components that resulted in the modification of said risk.
- as from 1 January 2005, the equalisation payment is recognised through profit or loss.

Position management

Dexia Crédit Local conducts two types of position management transactions:

- specialist held-for-trading portfolio management;
- position-taking.

Specialist held-for-trading portfolio management

This activity covers transactions with local authorities and their symmetrical transactions entered into with banks. Its purpose is the specialist management of a held-for-trading portfolio comprising specific interest rate swaps and other interest rate-based derivatives.
The held-for-trading portfolio is actively managed based on sensitivity criteria, with predefined interest rate exposure limits set internally in accordance with the Arrêté of 3 November 2014 as amended. Positions are centralised and results calculated on a daily basis.
Gains and losses are recognised on a mark-to-market basis, as follows:

- total future cash flows are marked to market on a monthly basis and the resulting unrealised gain or loss is taken to the income statement;
- all payments made or received are recorded directly in the income statement.

Mark-to-market gains and losses on derivatives are calculated using the replacement cost method. This method consists of taking each individual contract and simulating a new contract, which, at the balance sheet date, closes the open position created by the original contract. The differences in cash flows between the actual and simulated contracts are then discounted.
The portfolio valuation takes into account portfolio management costs and counterparty risks.
For the purposes of this activity, Dexia Crédit Local centrally manages the risks generated by the portfolios. Risk is transferred using internal contracts. These contracts are put in place, recorded and valued in accordance with Regulation n° 2014-07.

Position-taking

Derivatives held in the position-taking portfolio are intended to keep isolated positions open in order to take advantage of any favourable interest rate movements. The portfolio also includes all contracts (including credit derivatives) that do not fulfil the criteria for classification as specialist portfolio management.
Gains and losses are recognised in accordance with the prudence principle as follows:

- provisions for risks are booked for any unrealised losses calculated as a result of periodic mark-to-market valuations; unrealised gains are not recognised in the income statement;
- interest and equalisation payments are recognised in the income statement on an accrual basis.

Foreign exchange transactions

Dexia Crédit Local uses currency swaps and forward purchases and sales of foreign currencies to hedge its currency risks. Currency swaps are used to match funding currencies with the currencies of the assets financed. Forward purchases and sales of foreign currencies are used to offset or reduce the impact of exchange rate fluctuations on specific items or groups of similar items. A limited number of unhedged foreign exchange positions are also established in connection with Dexia Crédit Local's position-taking activities.
In accordance with Regulation n° 2014-07, currency instruments are classified as either hedged transactions or position-management transactions. This categorisation determines the applicable accounting treatment for the related gains and losses.
Currency instruments in both categories are recorded as off-balance-sheet commitments over the life of the contract, i.e. from the date of signing of the contract to the start date of the reference period.
Each contract is recorded separately and is classified in one of the above categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Hedging transactions

Forward points – the difference between the forward rate and the spot rate – are recognised in the income statement on an accrual basis. The position is initially recorded at the spot rate and its value is gradually adjusted over the life of the contract to take account of the forward points.

Position-transactions management

These represent forward currency transactions that do not meet the criteria for qualification as hedged forward currency transactions as defined in Regulation n° 2014-07, in that they do not relate simultaneously to loans and borrowings or to spot currency transactions. Such transactions are entered into with the aim of taking advantage of exchange rate movements.

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

Gains and losses on position-management transactions are determined and accounted for by translating movements in the currency accounts into euros at the forward rate applicable to the remaining terms of the contracts.

Foreign currency transactions

In accordance with Regulation n° 2014-07, Dexia Crédit Local recognises foreign currency transactions in accounts opened and denominated in each of the currencies concerned.

Specific foreign currency position accounts are maintained in each currency showing the position in that currency and the euro equivalent.

At each period end, the difference between the value of the foreign currency position account translated into euro at the year-end spot rate and the value of the foreign currency position in the euro equivalent account is taken to the income statement. Differences arising on the translation into euro of investments in foreign currency-denominated non-consolidated companies financed in euros are recorded on the balance sheet under "Accumulated translation adjustments".

Differences arising on the translation into euros of held-to-maturity securities denominated and financed in foreign currencies are recognised on a symmetrical basis with the differences arising on translation of the related financing.

The balance sheets of foreign consolidated branches of Dexia Crédit Local are translated into euros at the period-end exchange rate, with the exception of equity, which is translated at the historical rate.

Income statement items are translated at the average rate for the period. Differences arising on translation are recorded as a separate component of equity under "Accumulated translation adjustments".

Cost of risk

The cost of risk includes movements in loss reserves on interbank and customer loans, fixed-income held-to-maturity securities (in the case of recognised risk of default by the issuer) and off-balance-sheet items (other than off-balance sheet derivatives), as well as loan losses, recoveries of loans written off in prior years, and movements in other provisions and reserves for credit risks and contingencies relating to these items.

Non-recurring items

Non-recurring items consist of expenses and income that are generated by exceptional events or circumstances and do not relate to the ordinary activities of the company. They represent material items of income and expense that do not depend on decisions made in connection with the routine management of the business or of the company's assets and liabilities, but which result from external events that are exceptional in terms of their infrequency and their impact on net income. Only items of this nature, that have a significant impact on profit and loss for the period, are classified as non-recurring income and expenses.

Corporate income tax

For large companies (whose turnover is more than EUR 250 million), in application of the French finance law for 2020, the corporate income tax rate is 27.5% for the year ended 31 December 2021. Concerning corporate income tax for the accounting year 2022 and the following years, according to the texts currently applicable, it will be 25% for all taxable profits. The social contribution of 3.3% remains applicable (based on the amount of the corporate income tax for the part which exceeds EUR 763,000).

The deferred tax rate for French companies within the group Dexia Crédit Local is 25.825% (25% rate of CIT, as in force from 2022, plus the 3.3% social contribution). The rate applicable on contributions of foreign branches is the rate applied in the countries in which they operate according to each national legislation.

Since 1 January 2021, Dexia Crédit Local has decided to abandon the deferred tax method applied until 31 December 2020 in its annual accounts (see note 1.4 a. Changes in accounting policies and valuation methods applied to the financial statements). Nevertheless, no use was expected to be made of net deferred tax assets in 2021 since the offsetting of deferred tax assets and deferred tax liabilities in France gives rise to a net deferred tax asset that is not recognized.

Tax consolidation

Dexia Crédit Local is in the scope of the tax consolidation the parent company of which since 1 January 2002 has been the permanent establishment (Dexia ES) located in France.

Dexia ES is solely liable for corporation tax and its additional contributions to be paid by the group. DCL's tax expense is recorded in the accounts on stand-alone basis, as if there were no tax consolidation.

The savings generated by the tax consolidation group are recorded at Dexia ES (out of DCL's scope).

However, in accordance with an amendment to the tax treaty signed in 2011 between Dexia ES and Dexia Crédit Local, the tax savings generated by Dexia Crédit Local and its subsidiaries are reallocated to Dexia Crédit Local.

A second amendment signed in 2012 between Dexia ES and Dexia Crédit Local aims to exclude the subsidies received from Dexia ES when calculating the tax contribution of Dexia Crédit Local when they are neutralized within the framework of the overall consolidated tax result of the group.

However, this amendment ceased to apply from 1 January 2019, as a consequence of the French finance law for 2019 which disallows direct or indirect subsidies and debt write-offs granted between tax consolidated companies to be neutralized for the computation of the group's tax result.

Locations and activities in tax haven countries and territories

In compliance with Article L.511-45.of the French Monetary and Financial Code, it should be noted that Dexia Crédit Local has no offices (branches, subsidiaries or special purpose entities), affiliates or other exclusively or jointly controlled de facto or de jure interests in entities in countries that do not have administrative assistance agreements with France.

Company consolidating the financial statements of Dexia Crédit Local

Dexia, Place du Champ de Mars 5, B-1050 Brussels, Belgium.

2. Notes to the assets

2.1. Cash, balances with central bank and post offices (item I - assets)

a. Accrued interest

	0

b. Detailed analysis, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Cash	0	0
Deposits with central banks and issuing institutions(1)	9,861	9,673
Deposits with postal checking accounts	0	0
TOTAL	**9,861**	**9,673**

(1) EUR 9.7 billion liquidity reserve in the form of cash deposits with central banks.

2.2. Government securities eligible for Central Bank refinancing (item II - assets)

a. Accrued interest

(in EUR million)	73

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	7,848	9,241	0	0	563	8,678

c. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
Costs as at 31/12/2020	**81**	**529**	**7,238**	**7,848**
Movements for the year:				
• acquisitions(1)	0	0	1 922	1 922
• disposals and redemptions	0	(280)	(227)	(507)
• transfers	0	0	0	0
• translation adjustments	0	3	2	5
• other(2)	(6)	(1)	(20)	(27)
Costs as at 31/12/2021	**75**	**251**	**8,915**	**9,241**
Impairment as at 31/12/2020	**0**	**0**	**0**	**0**
Movements for the year:				
• charges	0	0	0	0
• recoveries	0	0	0	0
• translation adjustments	0	0	0	0
• other	0	0	0	0
Impairment as at 31/12/2021	**0**	**0**	**0**	**0**
Net carrying amount as at 31/12/2021	**75**	**251**	**8,915**	**9,241**

Additional information concerning government securities is provided in note 2.5
(1) Acquisition of investment securities is related to the purchase of government securities as part of a long-term investment and to portfolio transfer from Dexia Crediop.
(2) The other variation on held for trading are fair value variation and premium/discount variation for the assets classified as available for sale and held to maturity.

d. Transfers between portfolios

No transfers were made between portfolios in 2021.

e. Listed and unlisted securities, excluding accrued interest

An analysis of listed and unlisted securities is presented in note 2.5.g.

2.3. Interbank loans and advances (item III - assets)

a. Accrued interest

(in EUR million)	(1)

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	543	783	783	0	0	0
Term loans and advances(1)	11,084	5,179	1,818	1,152	1,635	574
TOTAL	11,627	5,962	2,601	1,152	1,635	574

(1) The decrease is linked to the drop in the refinancing of the subsidiary Dexia Crediop .

c. Analysis of non-performing loans, excluding accrued interest

No non-performing and litigious loans .

d. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Subordinated interbank loans(1)	25	25
Non-subordinated interbank loans	11,059	5,154
TOTAL	11,084	5,179

(1) Subordinated loan of Dexia Crediop subsidiary of EUR 25 million.

e. Analysis of subordinated non-performing loans, excluding accrued interest

No non-performing and litigious loans.

2.4. Customer loans and advances (item IV - assets)

a. Accrued interest

(in EUR million)	86

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity or not analysed
	15,156	12,454	367	705	1,297	10,085	0

c. Analysis by type of borrower, excluding accrued interest

	As at 31/12/2020	As at 31/12/2021		
(in EUR million)	Total	Public sector	Other sectors	Total
Performing loans	14,851	7,042	5,133	12,175
Restructured performing loans	0	0	0	0
Non-performing loans under collection	305	16	256	272
Doubtful non-performing loans	0	0	7	7
TOTAL	15,156	7,058	5,396	12,454

d. Analysis of non-performing loans, excluding accrued interest

VALUATION OF RISK (in EUR million)	As at 31/12/2020	As at 31/12/2021
Gross non-performing loans under collection	423	451
Accumulated impairment	(118)	(179)
NET NON-PERFORMING LOANS UNDER COLLECTION	305	272
Gross doubtful non-performing loans	6	13
Accumulated impairment	(6)	(6)
NET DOUBTFUL NON-PERFORMING LOANS	0	7

e. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Subordinated customer loans	0	0
Non-subordinated customer loans	15,156	12,454
TOTAL	**15,156**	**12,454**

2.5. Bonds and other fixed-income securities (item V - assets)

a. Accrued interest

(in EUR million)	94

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	12,119	**12,573**	23	22	2,073	10,455

c. Analysis by type of issuer, excluding accrued intered

Analysis by type of issuer, excluding accrued intered (in EUR million)	As at 31/12/2020	As at 31/12/2021
Public sector issuers	5,841	5,851
Other issuers	6,278	6,722
TOTAL	**12,119**	**12,573**

d. Analysis by type of portfolio and movements for the year, excluding accrued interest

	Banking activity and other			Total
(in EUR million)	Held for trading	Available for sale	Held to maturity	
COSTS AS 31/12/2020	**400**	**4,927**	**6,887**	**12,214**
Movements for the year:				
• acquisitions[(1)]	0	0	1,473	1,473
• disposals and redemptions	(158)	(924)	(291)	(1,373)
• transfers	0	0	0	0
• other movements[(2)]	4	24	326	354
• translation adjustments	0	(105)	109	4
COSTS AS 31/12/2021	**246**	**3,922**	**8,504**	**12,672**
IMPAIRMENT AS AT 31/12/2020	**0**	**(95)**	**0**	**(95)**
Movements for the year:				
• charges	0	(79)	0	(79)
• recoveries	0	73	0	73
• transfers	0	0	0	0
• other movements	0	0	0	0
• translation adjustments	0	2	0	2
IMPAIRMENT AS AT 31/12/2021	**0**	**(99)**	**0**	**(99)**
NET CARRYING AMOUNT AS AT 31/12/2021	**246**	**3,823**	**8,504**	**12,573**

(1) Held to maturity acquisitions are related to the transfer of securities from the subsidiary Dexia Crediop to Dexia Crédit Local and to bonds borrowings used as collateral in refinancing operations.

(2) Other movements in trading securities are related to fair value and to the evolution of premium/discount on other portfolios. Other movements in held to maturity securities are also coming from the booking in related receivables of the unwind fee of the hedging swap.

As at 31 December 2021, the borrowed securities are presented as a deduction of debt representing the value of the borrowed securities as "Other liabilities" of EUR 5,031 million.

e. Analysis by type of portfolio

(in EUR million)	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2021 Held for trading	Available for sale	Held to maturity	Total
Government securities	**81**	**537**	**7,351**	**7,969**	**75**	**251**	**8,988**	**9,314**
Gross carrying amount	81	475	6,618	7,174	75	208	9,362	9,645
Premiums/discounts	0	54	620	674	0	43	(447)	(404)
Related receivables	0	8	113	121	0	0	73	73
Impairment	0	0	0	0	0	0	0	0
Market value	81	688	9,848	10,617	75	294	10,877	11,246
Bonds and other fixed-income securities	**400**	**4,875**	**6,939**	**12,214**	**246**	**3,866**	**8,555**	**12,667**
Gross carrying amount	400	4,978	7,134	12,512	246	3,953	8,282	12,481
Premiums/discounts	0	(51)	(247)	(298)	0	(31)	222	191
Related receivables	0	43	52	95	0	43	51	94
Impairment	0	(95)	0	(95)	0	(99)	0	(99)
Market value	400	6,327	10,372	17,099	246	5,175	11,624	17,045
Total securities portfolio	**481**	**5,412**	**14,290**	**20,183**	**321**	**4,117**	**17,543**	**21,981**
PROVISIONS FOR RISKS AND CHARGES(1)	**0**	**(611)**	**0**	**(611)**	**0**	**(415)**	**(4)**	**(419)**

(1) The EUR -419 million provision for risks and charges is related to losses on hedges of available-for-sale securities. This provision is presented as a liability (see note 3.5.)

f. Analysis by type of counterparty

(in EUR million)	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2021 Held for trading	Available for sale	Held to maturity	Total
Government securities	**81**	**537**	**7,351**	**7,969**	**75**	**251**	**8,988**	**9,314**
Central governments	81	508	7,348	7,937	75	222	7,574	7,871
Local governments	0	28	3	31	0	29	1,354	1,383
Credit institutions	0	1	0	1	0	0	60	60
Bonds and other fixed-income securities	**400**	**4,875**	**6,939**	**12,214**	**246**	**3,866**	**8,555**	**12,667**
Central governments	0	1,819	821	2,640	0	1,742	962	2,704
Local governments	0	1,459	1,393	2,852	0	1,065	2,945	4,010
Credit institutions	0	424	2,330	2,754	0	377	2,126	2,503
Other private-sector entities	400	1,173	2,395	3,968	246	682	2,522	3,450
Total securities portfolio	**481**	**5,412**	**14,290**	**20,183**	**321**	**4,117**	**17,543**	**21,981**

g. Analysis by listing of securities

(in EUR million)	As at 31/12/2020 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2021 Held for trading	Available for sale	Held to maturity	Total
Government securities	**81**	**537**	**7,351**	**7,969**	**75**	**251**	**8,988**	**9,314**
Listed securities(1)	81	523	7,348	7,952	75	247	8,985	9,307
Unlisted securities	0	14	3	17	0	4	3	7
Bonds and other fixed-income securities	**400**	**4,875**	**6,939**	**12,214**	**246**	**3,866**	**8,555**	**12,667**
Listed securities(1)	66	1,090	6,229	7,385	71	924	7,326	8,321
Unlisted securities	334	3,785	710	4,829	175	2,942	1,229	4,346
Total securities portfolio	**481**	**5,412**	**14,290**	**20,183**	**321**	**4,117**	**17,543**	**21,981**

(1) "Listed" means quoted on a securities exchange.

h. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Subordinated bonds and other subordinated fixed-income securities issued by credit institutions	0	0
Subordinated bonds and other subordinated fixed-income securities issued by other issuers	0	0
Non-subordinated bonds and other non-subordinated fixed-income securities	12,119	12,573
TOTAL	12,119	12,573
of which: listed subordinated bonds and other listed subordinated fixed-income securities	0	0

i. Transfers between portfolios

No portfolio transfers in 2021.

j. Qualité des encours à la fin de l'exercice hors intérêts courus

Valuation of risk (in EUR millions)	Montant au 31/12/2020	Montant au 31/12/2021
Gross non-performing loans under collection	33	137
Accumulated impairment	(2)	(61)
NET NON-PERFORMING LOANS UNDER COLLECTION	31	76

The increase in bad debts is linked to the default of the counterparty Bank of Tunisia.

2.6. Equities and other variable-income securities (item VI - assets)

a. Analysis by type of portfolio and movements for the year

	Banking activity and other		Total
(in EUR million)	Held for trading	Available for sale	
Costs as 31/12/2020	0	36	36
Movements for the year:			
• acquisitions	0	0	0
• disposals and redemptions[(1)]	0	(7)	(7)
• other movements	0	0	0
• translation adjustments	0	1	1
Cost as 31/12/2021	0	30	30
Impairment as at 31/12/2020	0	(30)	(30)
Movements for the year:			
• charges	0	0	0
• recoveries	0	1	1
• other movements	0	0	0
• translation adjustments	0	(1)	(1)
Impairment as at 31/12/2021	0	(30)	(30)
NET CARRYING AMOUNT AS AT 31/12/2021	0	0	0

(1) EUR -7 million corresponding to the asset refund in investment funds.

b. Transfers between porfolios (excluding insurance business)

No transfers were made between portfolios in 2021.

c. Unrealised gains and losses on variable income securities

(in EUR million)	Carrying amount as at 31/12/2021	Market value as at 31/12/2021	Net unrealised capital gain as at 31/12/2021
SECURITIES	0	2	2

2.7. Long-term equity investments (item VII - assets)

a. Accrued interest

(in EUR million)	0

b. Analysis by type of issuer and movements for the year

(in EUR million)	Related parties	Other long-term equity investments	Total
Cost as at 31/12/2020	3,264	12	3,276
Movements for the year:			
• acquisitions[1]	0	27	27
• disposals and redemptions	0	0	0
• transfers	0	0	0
• translation adjustments	0	0	0
• other movements	0	0	0
Cost as at 31/12/2021	3,264	39	3,303
Impairment as at 31/12/2020	(2,985)	(6)	(2,991)
Movements for the year:			
• charges	0	(1)	(1)
• recoveries	1	0	1
• reversals	0	0	0
• transférées	0	0	0
• écarts de conversion	0	0	0
• autres variations	0	0	0
Impairment as at 31/12/2021	(2,984)	(7)	(2,991)
NET CARRYING AMOUNT AS AT 31/12/2021	280	32	312

The ICS investment (Istituto Per Il Credito Sportivo) has been acquired from the subsidiary Dexia Crediop.

c. Listing of securities

(in EUR million)	Net carrying amount as at 31/12/2021	Market value as at 31/12/2021	Unrealised capital gain as at 31/12/2021
Listed securities	0	0	0
Unlisted securities	312		
TOTAL	312		

d. Significant investments

(in EUR million)	Gross carrying amount as at 31/12/2021	Impairment as at 31/12/2021	Net carrying amount as at 31/12/2021
Listed securities	0	0	0

Unlisted securities (in EUR million)	Gross carrying amount as at 31/12/2021	Impairment as at 31/12/2021	Net carrying amount as at 31/12/2021	% interest in capital	Interest in capital as at 31/12/2021	Last balance sheet date
TOTAL	3,303	(2,991)	312			
of which:						
DEXIA HOLDINGS Inc.	2,283	(2,283)	0	100,00 %	(77)	31/12/2021
DEXIA CREDIOP	776	(701)	75	100,00 %	607	31/12/2021
DEXIA FLOBAIL	197	0	197	100,00 %	32	31/12/2021
DEXIA CLF REGIONS BAIL	8	0	8	100,00 %	39	31/12/2021

2.8. Intangible assets (item VIII - assets)

Detailed analysis and movements for the year

(in EUR million)	Start-up costs	Other intangible assets	Total
GROSS CARRYING AMOUNT AS AT 31/12/2020	**0**	**168**	**168**
Movements of the year:			
• increases	0	3	3
• decreases	0	(13)	(13)
• other	0	0	0
• translation adjustmens	0	0	0
GROSS CARRYING AMOUNT AS AT 31/12/2021	**0**	**159**	**159**
Amortisation and impairment as at 31/12/2020	**0**	**(149)**	**(149)**
Movements for the year:			
• charges	0	(12)	(12)
• recoveries	0	8	8
• other	0	0	0
• translation adjustments	0	0	0
Amortisation and impairment as at 31/12/2021	**0**	**(153)**	**(153)**
NET CARRYING AMOUNT AS AT 31/12/2021	**0**	**6**	**6**

Intangible assets primarily include software purchased and in-house software development costs that have been capitalised.

2.9. Tangible fixed assets (item IX - assets)

Detailed analysis and movements for the year

(in EUR million)	Land and buildings	Fixtures, equipment, furniture and vehicles	Other tangible non-current assets	Assets under construction and prepayments	Total
COST AS AT 31/12/2020	**0**	**0**	**12**	**0**	**12**
Movements of the year:					
• increases	0	0	0	0	0
• decreases	0	0	0	0	0
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
COST AS AT 31/12/2021	**0**	**0**	**12**	**0**	**12**
AMORTISATION AND IMPAIRMENT AS AT 31/12/2020	**0**	**0**	**(10)**	**0**	**(10)**
Movements for the year:					
• charges	0	0	0	0	0
• recoveries	0	0	0	0	0
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
AMORTISATION AND IMPAIRMENT AS AT 31/12/2021	**0**	0	**(10)**	**0**	**(10)**
NET CARRYING AMOUNT AS AT 31/12/2021	**0**	**0**	**2**	**0**	**2**

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

2.10. Other assets and accruals (items XIII and XIV - assets)

Detailed analysis of other assets and accruals

(in EUR million)	As at 31/12/2020	As at 31/12/2021
OTHER ASSETS		
Premiums paid on swaptions issued	0	0
Premiums paid on options	0	34
Guarantee deposits paid[1]	23,107	20,144
Tax receivables[2]	21	29
Deferred tax assets	0	0
Other non-current financial assets	0	0
Other	10	7
TOTAL OTHER ASSETS	**23,138**	**20,214**

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivatives markets.
(2) A claim for refund of EUR 20 million of tax receivables has been filed with the Spanish tax Authorities in 2020, in the context of the liquidation of DCL Madrid.

(in EUR million)	As at 31/12/20120	As at 31/12/2021
ACCRUALS		
Premiums and deferred charges on borrowings	35	27
Premiums on loans and other deferred charges on loans	91	84
Premiums and deferred charges on hedging transactions	2,326	2,719
Premiums and deferred charges on trading transactions	470	605
Accrued income on hedging transactions	471	447
Accrued income on trading transactions	249	244
Unrealised translation losses	0	314
Other accrued income	34	17
TOTAL ACCRUALS	**3,676**	**4,457**

2.11. Analysis of assets by currency

Classification by original currency

(in EUR million)	As at 31/12/2021
In EUR	47,225
In other EU currencies	0
In all other currencies	27,921
TOTAL ASSETS	**75,146**

3. Notes to the liabilities and equity

3.1. Interbank borrowings and deposits (item II - liabilities and equity)

a. Accrued interest

(in EUR million)	0

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	85	2	2	0	0	0
Term deposits	6,264	3,375	2,057	577	405	336
TOTAL	6,349	3,377	2,059	577	405	336

3.2. Customer deposits (item III - liabilities and equity)

a. Accrued interest

(in EUR million)	(7)

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	0	0	0	0	0	0
Term deposits	6,310	8,367	8,000	267	1	99
TOTAL	6,310	8,367	8,000	267	1	99

c. Analysis by type of issuer, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Public sector	0	99
Other sectors	6,310	8,268
TOTAL	6,310	8,367

3.3. Debt securities (item IV - liabilities and equity)

a. Accrued interest

(in EUR million)	154

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2020	As at 31/12/2021	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	56,000	48,509	7,159	10,199	25,698	5,453
Debt securities	0	0	0	0	0	0
TOTAL	56,000	48,509	7,159	10,199	25,698	5,453

As at 31 December 2021, Dexia Crédit Local's issues are covered by the State guarantee mechanism for EUR 48,1 billion.

c. Analysis by type of security and movements for the year, excluding accrued interest

(in EUR million)	Interbank and other negotiable debt securitites	Debt securities	Securities borrowings	Total
AS AT 31/12/2020	56,000	0	0	56,000
Movements for the year:				
• new issues	13,316	0	0	13,316
• redemptions	(21,344)	0	0	(21,344)
• translation adjustments	537	0	0	537
• other	0	0	0	0
AS AT 31/12/2021	48,509	0	0	48,509

3.4. Other liabilities and accruals (item V and VI - liabilities and equity)

Details of other liabilities and accruals

Accruals and other liabilities (in EUR million)	As at 31/12/2020	As at 31/12/2021
OTHER LIABILITIES		
Guarantee deposits received(1)	3,755	3,200
Premiums on options sold	0	24
Representative debt of the value of the securities borrowed(2)	0	0
Other creditors	23	22
TOTAL OTHER LIABILITIES	3,778	3,246
ACCRUALS		
Deferred income on loans	62	30
Discounts recognised on purchase of receivables	5	0
Deferred income on hedging transactions	3,067	3,255
Deferred income on trading transactions	670	1,176
Deferred gains on hedging contracts	0	0
Accrued charges on hedging transactions	495	452
Accrued charges on trading transactions	330	319
Unrealised translation gains	760	208
Other deferred income	0	0
Other accrued charges	67	51
Other accrued liabilities	1,636	1,801
TOTAL ACCRUALS	7,092	7,292

(1) Guarantee deposits received correspond mainly to cash collateral received
(2) As at 31 December 2021, this item includes the representative debt of the value of the borrowed securities, after deduction of the value of identical securities classified by Dexia Crédit Local among Held for trading in this item "Bonds and other fixed-income securities" (item V of the assets) and up to the amount of the debt. The value of these securities, which are deducted from the debts of securities borrowed, amounts to EUR 5,032 million.

3.5. Provisions for risks and charges (item VII - liabilities and equity)

(in EUR million)	As at 31/12/2020	Charges	Recoveries	Transfert	Translation adjust-ments	As at 31/12/2021
PROVISIONS FOR RISKS AND CHARGES	790	309	(564)	0	1	536
Pensions and similar commitments	0	0	0	0	0	0
Financing commitments	63	0	(12)	0	0	51
Other financial instruments(1)	611	276	(469)	0	1	419
Other risks and charges(2)	116	33	(83)	0	0	66
PROVISIONS FOR DEFERRED TAXES	0	0	0	0	0	0
REGULATED PROVISIONS	0	0	0	0	0	0
Provisions for medium and long-term loans	0	0	0	0	0	0
Provisions for accelerated tax depreciation	0	0	0	0	0	0
Provisions for investments	0	0	0	0	0	0
TOTAL	790	309	(564)	0	1	536

(1) Provisions for risks on other financial instruments are presented in note 2.5 d for the breakdown by type of portfolio.
(2) Other provisions for risks and charges in 2021 primarily include a provision relating to the loan desensitisation activity for EUR 19 million.

3.6. Subordinated debt (item VIII - liabilities and equity)

a. Accrued interest (in EUR million)

(in EUR million)	0

b. Movements for the year, excluding accrued interest

(in EUR million)	Total
AS AT 31/12/2020	**56**
Movements of the year:	
• new issues	0
• redemptions	0
• translation adjustments	0
• other movements	0
AS AT 31/12/2021	**56**

c. Details of individual subordinated borrowings

Currency	Maturity	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	No fixed maturity	56.3	a) Early repayment possible at each due date for interest payments with effect from 18/11/2015 after approval by the French Prudential Control Authority[(1)] b) Repayment at per value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	Fixed rate 4.30 from 2015 EURIBOR 3M + 1.73

(1) Prohibition to pay discretionary coupons on T1 Hybrids following the resolution plan approved by the European Commission on 28/12/2012.

3.7. Equity

Detailed analysis of equity

(in EUR million)	Amount
AS AT 31/12/2020:	
Capital stock	279
Additional paid-in capital	2,588
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	1,010
Translation adjustments	0
Net loss for the year	(447)
Interim dividends	0
EQUITY AS AT 31/12/2020	3,480
Movements for the year:	
Capital stock	0
Additional paid-in capital	0
Commitments to increase capital stock and additional paid-in capital	0
Reserves and retained earnings(1)	(447)
Legal reserve	0
Non-distributable reserve	0
Translation adjustments	0
Dividends paid (-)	0
Net loss for the year	136
Other movements	(447)
AS AT 31/12/2021	**447**
Capital stock	279
Additional paid-in capital	2,588
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	563
Translation adjustments	0
Net profit for the year(2)	136
Interim dividends	0
EQUITY AS AT 31/12/2021	3,616

(1) The Ordinary General Meeting on 19 May 2021 resolved to allocate the EUR -447 million losses for 2020 to retained earnings, bringing the latter to EUR 563 million.
(2) A proposal was submitted to the ordinary shareholders' meeting on 17 May 2022 to allocate the net profit for the year to retained earnings.

3.8. Analysis of liabilities and equity by currency

Classification by currency of origin (in EUR million)	**As at 31/12/2021**
In EUR	47,225
In other EU currencies	0
In all other currencies	27,921
TOTAL LIABILITIES AND EQUITY	75,146

3.9. Other notes to the balance sheet

Transactions with related parties – Analysis by type

(in EUR million)			Total	Of which, related parties[(1)]
Assets	Items III and IV	Interbank loans and advances and Customer loans and advances	18,501	5,948
	Items V, VI and VII	Securities held	12,979	2,113
	Items XIII and XIV	Other assets and accruals	24,671	159
Liabilities	Items II and III	Interbank borrowings and deposits and customer deposits	11,737	334
	Items IV	Debt securities	48,663	0
	Items VIII	Subordinated debt	56	0
	Items V and VI	Other liabilities and accruals	10,538	600

(1) Related parties correspond to those from the Dexia Group's consolidation scope.

4. Notes to the off-balance sheet items

4.1. Financing commitments given (item I - off balance sheet)

This item includes financing commitments given and commitments given on securities and on loaned foreign currencies. Financing commitments on loans include lines of credit approved but not disbursed as at 31 December 2021.

Analysis by type of beneficiary

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Commitments to credit institutions	1,613	1,056
Commitments to customers	828	675
Currencies lent but not yet delivered	0	0
TOTAL	**2,441**	**1,731**

4.2. Guarantee commitments given (item II - off-balance sheet)

a. Analysis by type of beneficiary

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Commitments to credit institutions	1,566	770
Commitments to customers	1,497	1,420
TOTAL	**3,063**	**2,190**

b. Analysis by type of transaction

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Guarantee commitments given:		
• guarantees	3,063	2,190
• endorsements	0	0
• liens on assets	0	0
TOTAL	**3,063**	**2,190**

c. Contingent liabilities and risks and losses not quantifiable at the date of preparation of the financial statements

Upon completion of these financial statements, there were no contingent liabilities, risks or losses that were not quantifiable.

4.3. Assets pledged as collateral (item III - off-balance sheet)

(in EUR million)	As at 31/12/2020[1]	As at 31/12/2021[1]
As collateral for debts and commitments of the company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	20,961	13,229
TOTAL	20,961	13,229

(1) Carrying amount of the assets pledged.

4.4. Financing and guarantee commitments received (item IV and V - off-balance sheet)

These items include all financing commitments and guarantees received from credit institutions, and commitments received on securities and foreign currency borrowings.

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Financing commitments received from credit institutions	5,985	2,111
Currencies borrowed but not yet received	0	0
Guarantees received from credit institutions	1,115	1,017
Guarantees received from local authorities or claims on local authorities acquired as guarantees	1,401	2,283
Other commitments received	5,629	3,542
TOTAL	14,130	8,953

4.5. Commitments related to securities (item VI - off-balance sheet)

a. Analysis by type of transaction

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Purchases		
• spot	0	0
• forward	0	0
Sales		
• spot[1]	192	0
• forward	0	0
TOTAL	192	0

(1) Commitment to sell loans of EUR 192 million in 2021.

b. Isolated open positions

Unrealised gains on isolated open positions	0

4.6. Commitments related to foreign currency transactions (item VII - off-balance sheet)

Spot and forward currency transactions are presented at their value in their accounting currency, translated at the closing foreign exchange rate at year-end.
The line "Foreign currencies to be received" amounted to EUR 24,227 billion and the line "Foreign currencies to be delivered" to EUR 24,699 billion as at 31 December 2021.

4.7. Commitments related to forward and derivative financial instruments (item VIII - off-balance sheet)

a. Analysis by type of use and instrument

Type of transaction (in EUR million)	As at 31/12/2020	As at 31/12/2021	Hedging		Trading		Fair value as at 31/12/21
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio management	
Foreign currency instruments[1]	30,188	24,699	7,005	9,489	0	8,205	(295)
• forward currency purchases and sales	13,029	9,092	0	9,092	0	0	0
• currency and interest rate swaps	17,159	15,607	7,005	397	0	8,205	(295)
• currency futures	0	0	0	0	0	0	0
• currency options	0	0	0	0	0	0	0
• forward currency agreements	0	0	0	0	0	0	0
Other financial instruments	204,682	208,362	58,523	74,495	340	75,004	(16,229)
Interest rate instruments[2]							
• interest rate swaps	202,485	206,591	57,317	74,495	0	74,779	(16,429)
• futures	22	11	0	0	0	11	0
• forward rate agreements	0	0	0	0	0	0	0
• interest rate options	18	15	0	0	0	15	90
Other forward purchases and sales[3]							
• other options	2,157	1,745	1,206	0	340	199	110
• *other futures*	0	0	0	0	0	0	0
• other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	**234,870**	**233,061**	**65,528**	**83,984**	**340**	**83,209**	**(16,524)**

(1) Amount to be delivered
(2) Face value / notional amount.
(3) Purchase / selling price agreed between the parties

b. Analysis by type of market

Type of transaction (in EUR million)	Over -the-counter market	Organised market	Total as at 31/12/2021
Foreign currency instruments	24,699	0	24,699
Other financial instruments:			
• interest rate instruments	125,791	80,826	206,617
• other forward purchases and sales	1,745	0	1 745
TOTAL	**152,235**	**80,826**	**233,061**

c. Analysis of forward contracts and options

Type of transaction (in EUR million)	Forward contracts	Options	Total as at 31/12/2021
Foreign currency instruments	24,699	0	24,699
Other financial instruments:			
• interest rate instruments	206,591	26	206,617
• other forward purchases and sales	1,745	0	1,745
TOTAL	**233,035**	**26**	**233,061**

d. Analysis by residual maturity

Type of transaction (in EUR million)	Up to 1 year	1 to 5 years	Over 5 years	Total as at 31/12/2021
Foreign currency instruments	11,247	5,547	7,905	24,699
Other financial instruments:				
• interest rate instruments	63,584	52,474	90,559	206,617
• other forward purchases and sales	38	158	1,549	1,745
TOTAL	**74,869**	**58,179**	**100,013**	**233,061**

e. Off-balance sheet forward transactions, including securities, currencies and other forward and derivative financial instruments

Commitments related to interest rate derivatives are recorded in compliance with ANC Regulation 2014-07:

• forward contracts are carried at the nominal value of the contracts;

• options are carried at the nominal value of the underlying instrument.

Dexia Crédit Local uses forward financial instruments as part of the three following strategies:

• Asset liability management

This includes all transactions intented to cover and manage the total interest rate exposure of the Company. ALM is carried out primarily through the use of swaps and futures contracts.

• Specific hedging

Hedges are used to cover interest rate risks on a specific item or a group of items with similar characteristics, identified at the outset.

Intruments meeting this definition consist primarily of swaps acquired as micro hedges of primary issues, bonds in the available for sale or held to maturity portfolios, and Customer loans. The hedging instruments have the effect of creating synthetic variable or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Foreign currency swaps are also classified as hedges when they are used to transform sources of funding in one currency into the currency used in the transactions they finance in the goal of reducing currency risk.

• Position management

The position management strategy includes two types of activities:

– specialist trading portfolio management;

– position-taking.

The specialist trading portfolio management activity includes all transactions entered into with local authorities and the symmetrical

transactions executed with banking counterparties. The transactions include primarily interest rate swaps. Specialised duration management is employed for the transactions included in this activity.

Derivatives held in the position-taking portfolio are intented to keep isolated open positions in order to take advantage of any favourable movements in interest rates or exchange rates. These transactions include primarily interest rate swaps and forward foreign exchange transactions.

f. Risk monitoring

Risk is measured by the Risk Management department. The main risk indicator used by Dexia Crédit Local, and throughout the entire Dexia Group, is VaR. The VaR calculated by the Dexia Group measures the potential loss over a 99% confidence interval over a 10-day period. The risk management system consists of allocating to each entity, and for each type of financial market activity, the following items:

• a list of foreign currencies and transactional structures likely to be used;

• a VaR limit.

4.8. Transactions with related parties

a. Analysis by type

(in EUR million)			Total	Of which, related parties[1]
Off-balance sheet	Item I	Financing commitments given	1,731	1,444
	Item II	Guarantee commitments given	2,190	1,762
	Item IV	Financing commitments received	2,111	1,017
	Item V	Guarantee commitments received	6,842	0
	Items III, VI, VII et VIII	Other commitments given and received	270,782	501

(1) Related parties are entities included within the consolidation scope of the Dexia Group.

b. Transactions with the Belgian, French and Luxembourg States

Extension of the Dexia funding guarantee by the Belgian and French States

Following the approval by the European Commission of the extension of the Dexia funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States adopted the legal texts relating to this extension on 29 December 2020 and 27 June 2021 respectively.

To recall, the extended funding guarantee (2022 guarantee) retains most of its current characteristics and therefore remains joint, unconditional, irrevocable and on first demand. However, the following changes have been made to the guarantee scheme:

• The new guarantee ceiling is EUR 75 billion, of which EUR 72 billion to cover the Group's debt issues and EUR 3 billion for intraday interbank overdrafts in euro and foreign currency.

• The Luxembourg State no longer participates in the guarantee mechanism. Its 3% share is divided between the Belgian and French States in proportion to their current shares of 51.41% and 45.59% respectively, i.e. 53% for Belgium and 47% for France.

The guarantee thus extended came into effect on 1 January 2022. The 2013 guarantee, although expiring on 31 December 2021, continues to be effective for all guaranteed bonds issued by Dexia Crédit Local until 31 December 2021 and for a maximum maturity of ten years from their date of issue.

Remuneration of the extended funding guarantee as at 1 January 2022

The remuneration of the guarantor States pursuant to the 2022 guarantee comprises a basic remuneration and a conditional deferred commission. This particular remuneration structure allows the full implementation of the burden-sharing principle which underlies the orderly resolution of Dexia and which imposes a requirement that any improvement in the financial situation of Dexia benefits only the States as shareholders and guarantors.

The basic remuneration is five basis points per annum on the guaranteed amounts outstanding, payable monthly. This commission would also be increased by a conditional deferred commission, payable in the event that two conditions materialise. These two conditions are cumulative and are set out in the Decision of the European Commission dated 27 Septem-

ber 2019, i.e. (i) Dexia Crédit Local and Dexia may become liable to the holders of hybrid Tier 1 securities bearing the ISIN code FR0010251421 and XS0273230572 respectively, which means in practice that Dexia Crédit Local or Dexia may be put into liquidation, and (ii) Dexia Crédit Local no longer has the authorisation as a credit institution provided for in Article L. 511-10 of the Monetary and Financial Code.
The pricing of this commission will be progressive as from 2022 and will reach an annual rate of 135 basis points on outstanding amounts in 2027. This commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local and is guaranteed by Dexia SA.
The accounting treatments of these payments to the guarantor States have been the subject of detailed analyses by Dexia. From an accounting point of view, the treatment is different in the consolidated accounts under IFRS of Dexia and Dexia Crédit Local as well as in the social accounts under French GAAP of Dexia Crédit Local. There is no impact in the Belgian GAAP financial statements of Dexia, as the commission applies to the outstanding guaranteed debt issued by Dexia Crédit Local.
In 2022, the amount recorded in the accounts as conditional deferred commission will be insignificant, of the order of EUR 5 million. In future years, the amount will depend on the amount to be financed, which is influenced by various factors, in particular the evolution of interest rates.

The accounting under French GAAP in the Dexia Crédit Local financial statements implies a prior examination of the probability of the two payment conditions for the conditional deferred commission being met. To recall, the conditional deferred commission only becomes due (and payable to the States) if these two conditions - liquidation of the Group and abandonment or withdrawal of Dexia Crédit Local's banking licence – are met.
Depending on the degree of probability of the two conditions being met, the conditional deferred commission may (i) either be declared as an off-balance sheet item in the notes to the financial statements, (ii) or be accounted for as an expense and a provision in the statement of income when the loss of licence becomes probable, (iii) or be written back to the statement of income as a subordinated debt when the loss of licence occurs. The conclusion is a matter of judgement and rests with the Board of Directors, which will decide at each closing date for the company accounts. In the absence of the likelihood of the meeting of these two conditions, the conditional deferred commission will be treated as an off-balance sheet item.
On 16 December 2021, the Board of Directors of Dexia noted that these two conditions are not met for the accounting year beginning on 1 January 2022. Consequently, the conditional deferred commission will be declared as an off-balance sheet item in the notes to the financial statements of Dexia Crédit Local for the accounting year 2022.

5. Notes to the income statement

5.1. Interest income and interest expense (items I and II - income statement)

(in EUR million)		As at 31/12/2020	As at 31/12/2021
INTEREST INCOME ON:			
Interbank loans	(a)	106	84
Customer loans and advances	(b)	686	505
Bonds and other fixed-income securities	(c)	323	405
Macro hedging transactions	(d)	685	457
TOTAL INTEREST INCOME		**1,800**	**1,451**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(244)	(207)
Customer deposits	(b)	(233)	(280)
Bonds and other fixed-income securities	(c)	(364)	(221)
Macro hedging transactions	(d)	(814)	(605)
TOTAL INTEREST EXPENSE		**(1,655)**	**(1,313)**
NET INTEREST EXPENSE		**145**	**138**

a. Interest income and expense on interbank transactions

This item includes EUR 6 million on transactions with related parties.
It also includes an expense relating to the sovereign guarantee amounting to EUR 26 million in 2021 (EUR 29 million in 2020).

b. Interest income and expense on customer transactions

Interest income and expense on customer loans and deposits represented a net amount of EUR 225 million.
It also includes EUR 35 million in income from financing commitments and guarantees.

c. Interest income and expense on bonds and other fixed-income securities

The heading includes EUR 405 million in accrued interest on bonds and other fixed-income securities, amortisation of discounts and premiums on held-to-maturity and available-for-sale securities, and the related hedging gains and losses on these securities.
Interest expense amounted to EUR -221 million for Dexia Credit Local.
In addition to interest expense on bonds and other fixed-income securities, the heading also includes interest rate hedging gains and losses on specifically identified negotiable debt, bond and subordinated debt issues.

d. Income and expense on macro-hedging transactions

Income and expense on macro-hedging transactions amounted to EUR 457 million and EUR -605 million respectively.

5.2. Income from variable-income securities (item III - income statement)

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Related parties	0	0
Other related parties and long-term investments	0	1
Equities and other variable-income securities	1	2
TOTAL	1	3

5.3. Analysis of fees and commissions (items IV and V - income statement)

a. Analysis of fee and commission income (item IV - income statement)

Type (in EUR million)	As at 31/12/2020	As at 31/12/2021
Loans	0	2
Other financial services	0	0
TOTAL	0	2

b. Analysis of fee and commission expenses (item V - income statement)

Type (in EUR million)	As at 31/12/2020	As at 31/12/2021
Loans	0	0
Corporate actions	(8)	(8)
Other financial services	(6)	(5)
TOTAL	(14)	(13)

5.4. Analysis of gains and losses on portfolio transactions (item VI - income statement)

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Gains (losses) on:		
• held-for-trading securities	4	2
• foreign currency transactions	76	35
• other financial instruments	4	4
Sub-total	**84**	**41**
• available-for-sale and similar securities(1)	(93)	253
• Gains and losses on disposals	(11)	13
Sub-total	**(104)**	**266**
• Held-to-maturity securities	4	19
Sub-total	**4**	**19**
TOTAL	(16)	326

(1) Movements on available for sale portfolio are detailed in notes 2.2 and 2.5.

5.5. General operating expenses (item IX - income statement)

a. Detailed analysis

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Personnel costs	**(73)**	**(64)**
• Salaries and wages	(49)	(45)
• Social security	(25)	(24)
• Restructuring cost	1	5
Other administrative expenses	**(200)**	**(173)**
• Taxes and duties	(9)	(2)
• Other administrative expenses	(191)	(171)
TOTAL	(273)	(237)

b. Employee Information

	31/12/2020	As at 31/12/2021
Total employee as at 31 December	**400**	**397**
• executive management	40	47
• other management	314	311
• administrative personnel	46	39
Personnel costs (in EUR million)	**(74)**	**(65)**
• salaries and direct benefits	(50)	(46)
• payroll taxes	(18)	(17)
• other personnel costs	(6)	(2)
Provisions for pensions (in EUR million)	**1**	**1**
• recoveries (+)	(1)	0
• charges (-)	2	1
TOTAL	**(73)**	**(64)**

5.6. Cost of risk (item XI - income statement)

(in EUR million)	Charges and losses	Reversals and recover	Total as at 31/12/2021
Provisions for impairment and losses on loans	(166)	51	(115)
Provisions for risks	(85)	101	16
Regulatory provisions	0	0	0
TOTAL	**(251)**	**152**	**(99)**

The cost of risk amounted to EUR -99 million in 2021. It is mainly explained by:

- ·allocations of specific provisions of EUR -39 million, the impact of the additional provisioning on Tunisia following the default of the exposure being partly offset by reversals linked to the total or partial early repayment of some exposures,
- the impairment in an amount of EUR -88 million of the loan granted by Dexia Crédit Local to its subsidiary Dexia Holding Inc.,
- a reversal of provisions of EUR +50 million relating to the activity of desensitisation of loans to the French local public sector, partly offset by provisions for other litigation in the amount of EUR -34 million.

5.7. Net gains (losses) on non-current assets (item XII - income statement)

	As at 31/12/2020		Total as at 31/12/2020	As at 31/12/2021		Total as at 31/12/2021
(in EUR million)	Affiliated entreprises	Others		Affiliated entreprises	Others	
Charges to impairment	0	0	0	0	0	0
Recoveries of impairment	0	0	0	0	0	0
SUB-TOTAL	**0**	**0**	**0**	**0**	**0**	**0**
Disposal losses	(264)	0	0	0	0	0
Disposal gains	0	0	0	0	0	0
SUB-TOTAL	**(264)**	**0**	**0**	**0**	**0**	**0**
TOTAL	**(264)**	**0**	**0**	**0**	**0**	**0**

5.8. Other banking income and expenses

a. Other banking income (item VII - income statement)

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Other banking income	1	1
Other miscellaneous income	0	2
TOTAL	**1**	**3**

b. Other banking expenses (item VIII - income statement)

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Other banking expenses	0	0
Other miscellaneous expenses	0	(1)
TOTAL	**0**	**(1)**

Management report
Declaration of corporate governance
Consolidated financial statements
Financial statements
General information

5.9. Non-recurring items (item XIII - income statement)

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Non-recurring income[1]	2	26
Non-recurring expenses	0	0

(1) A provision for deferred taxes was recognized on the transfer of assets between Dexia Crédit Local branches for EUR 26 million, while Dexia Crédit Local was in a tax deficit situation.

5.10. Corporate income tax (item XIV - income statement)

a. Analysis of tax expense

(in EUR million)	As at 31/12/2020	As at 31/12/2021
Corporate income tax	1	0
Deferred taxes	0	0
TAXES ON NET INCOME FOR THE YEAR (A)	**1**	**0**
Provisions for tax litigation (B)	0	0
TOTAL (A) + (B)	**1**	**0**

Since 2002, the permanent establishment of Dexia SA in France has been the head of the tax consolidation group, which includes Dexia Crédit Local.
An amendment to the tax agreement between the Dexia SA permanent establishment and Dexia Crédit Local, signed in 2011, allows the reallocation to Dexia Crédit Local of the tax savings from Dexia Crédit Local and its subsidiaries.

b. Tax losses

Dexia Crédit Local SA is composed of two tax entities: the Irish tax entity (Dexia Crédit Local Dublin) for its branch in Ireland and the French tax entity (Dexia Crédit Local Paris). The tax losses which can be used by Dexia Crédit Local Paris within the framework of the tax consolidation group of which it is a member in France amounted to EUR 3,867 million as at 31 December 2021. Dexia Crédit Local Dublin's tax loss carry-forwards are EUR 674 million. As part of its liquidation in 2020, Dexia Crédit Local NY transferred assets, liabilities and derivatives to Dexia Crédit Local Paris in 2019. For tax purposes, these assets, having been transferred to a Group company, remain "connected" to the US tax system until their maturity or disposal. Dexia Crédit Local therefore files a US tax return each year for the activities which remain connected to the US. The US tax loss as at 31 December 2021 is USD 1,670 million. This loss is never expected to be fully utilised and it is not certain that the connected activities will generate positive tax results in the future.

c. Deferred taxes

Dexia Crédit Local decided to stop recording deferred taxes as from 1 January 21 because this information is no longer relevant for the understanding of the financial statements, and represents a considerable amount of work and an operational risk for the preparation of Dexia Crédit Local's corporate accounts, given the complexity of the Group's transactions. The Dexia Crédit Local Group is a group in resolution managing assets in run-off. It can no longer grant loans or acquire securities, except within the framework of liquidity management and with the consent of the European authorities. As part of its business model, it sells assets to optimise run-off management and to manage liquidity and credit risks.
Since 2008, the Group has sold many subsidiaries, merged with some and liquidated branches. Against that background, many intra-group and inter-branch transfers are made in order to repatriate assets to Dexia Crédit Local in order to limit operating costs and to centralise the management of assets, funding and hedging.
The Group is only slightly sensitive to interest rates as assets and liabilities are hedged by interest rate derivatives. Given the evolution of credit spreads, almost all disposals are made with losses which management seeks to limit. This resolution therefore leads to losses in all entities of the Group, including Dexia Crédit Local SA. Dexia Crédit Local now only has tax losses in its entities, losses which will never be fully recoverable. Therefore, the amount of deferred tax assets has never been recognised and will never be recognised in the future.

5.11. Financial relationships with members of the Management Board and the Board of Directors

(in EUR million)	
COMPENSATION PAID TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF THEIR FUNCTIONS WITHIN THE COMPANY AND ITS SUBSIDIARIES AND ASSOCIATED COMPANIES	
Management Board	3
Board of Directors	0
TOTAL	**3**

AMOUNT OWED, CONTINGENT LIABILITIES IN THEIR FAVOUR AND OTHER MATERIAL COMMITMENTS UNDERWRITTEN IN THEIR FAVOUR	
Management Board	0
Board of Directors	0
TOTAL	**0**

5.12. Analysis by geographical region and line of business

	As at 31/12/2021		
(in EUR million)	**Net banking income (loss)**	**Gross operating income**	**Net income (loss)**
France	272	33	50
Foreign branches	186	176	86
TOTAL	**458**	**209**	**136**

6. Subsidiaries and equity investments as at 31 december 2021

Company	Capital Stock	Additional paid-in capital, reserves and retained earnings	Revenue or net banking income (loss) for last fiscal year	Net income (loss) for last fiscal year
1 - DETAILS OF SUBSIDIARIES AND EQUITY INVESTMENTS WHOSE CARRYING AMOUNT EXCEEDS 1% OF DEXIA CRÉDIT LOCAL'S CAPITAL STOCK				
A - SUBSIDIARIES (50% TO 100% OF EQUITY)				
(en EUR)				
Dexia Crediop Via Venti settembre N. 30 I00187 Roma	645,210,000	3,027,526	(55,082 078)	(41,664,577)
Dexia Holdings INC.[1] 445 Park Avenue, 7th floor NY 10022 New York	2,325,640,962	(2,411,411,149)	9,047,416	8,704,956
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2, 92913 La Défense	197,100,166	(168,375,204)	(1,615,454)	3,398,352
Dexia CLF Régions Bail 1 Passerelle des Reflets - Tour Dexia La Défense 2, 92913 La Défense	7,625,000	29,838,357	2,488,012	1,920,401

(1) Companies that produce financial statements only under IFRS.

2 – GENERAL INFORMATION				
A - OTHER SUBSIDIARIES NOT INCLUDED IN SECTION 1-A				
- French companies				
- Foreign companies				
B - OTHER SUBSIDIARIES AND EQUITY INVESTMENTS WHERE EQUITY IS LESS THAN 10%				
- French companies				
- Foreign companies				

	Interest in equity (%)	**Carrying amount of stock**		**Dividends received by Dexia Crédit Local during the fiscal year**	**Loans and advances granted by Dexia Crédit Local**	**Guarantees given by Dexia Crédit Local**	**Activity**
		Gross	**Net**				
	100,00%	776,223,587	75,000,000	0	1,746,847,164	756,000,000	Bank, credit institution
	100,00%	2,283,076,144	0	0	88,090,204	0	Holding company
	100,00%	197,111,054	197,111,054	0	201,403,736	834,713,625	Lease financing of local investments
	100,00%	7,941,401	7,941,401	0	321,106,973	210,694,007	Real estate leasing
		743,214	287,496	0	0	0	
		2,632,033	477,994	0	0	0	
		8,931,862	4,418,539	398,352	49,078,160	2,581,192	
		26,500,000	26,500,000	396,054	0	0	

Management report

Declaration of corporate governance

Consolidated financial statements

Financial statements

General information

Statutory auditors' report on the financial statements

For the year ended December 31, 2021

To the Shareholders' Meeting of Dexia Crédit Local,

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Dexia Crédit Local for the year ended December 31, 2021.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.
The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2021 to the date of our report, and, specifically, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Emphasis of matter

We draw attention to:
- the change in accounting method for the recognition and measurement of retirement and other post-employment benefits resulting from the November 5, 2021 update to ANC recommendation no. 2013-7 of November 7, 2013, as disclosed in Note 1.4 to the financial statements,
- the change in accounting method relating to the cessation of recognition of deferred tax , as disclosed in Note 1.4.a to the financial statements.

Justification of Assessments – Key Audit Matter

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.
It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.
These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Going concern basis of accounting used for the preparation of the financial statements
(See Notes 1.3, 1.4 and 4.8.b to the Financial Statements)

Key Audit Matter	How our audit addressed the key audit matter
Dexia Crédit Local’s ability to continue as a going concern is based on the revised orderly resolution plan of the Dexia Group, approved by the European Commission on December 28, 2012. This plan, further reassessed by the Dexia Crédit Local Board of Directors on December 16, 2021, is based, among others, on the following assumptions and uncertainties: – the macro-economic assumptions underlying the business plan are revised every six months; in its latest update, the business plan incorporates a “central” macro-economic scenario based on the ECB reference scenario published in June 2021, supplemented by scenarios published by the national central banks where available; – the business plan assumes that the Dexia Crédit Local banking license and the Dexia Crédit Local credit rating will be maintained at a level equivalent to or greater than Investment Grade level; – the continuation of the resolution plan assumes that Dexia Crédit Local maintains a sound funding capacity, which relies in particular on the appetite of investors for the debt guaranteed by the Belgian and French States as well as on Dexia Crédit Local’s capacity to raise secured borrowings. Since January 1, 2022, Dexia Crédit Local issuances benefit from the 2022 guarantee, extending the 2013 guarantee which expired on December 31, 2021; – finally, Dexia Crédit Local is sensitive to changes in its macro-economic environment and to market parameters, including exchange rates, interest rates and credit spreads. A negative change in these parameters in the long term could weigh heavily on the Company’s liquidity and solvency. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, whose changes in fair value, recognized in income or equity, may result in a change in the level of the Company’s regulatory capital. The assessment of all the elements supporting the business plan must also be made in specific complex and evolving context of the global crisis linked to the Covid-19 pandemic. After taking account of all of the items presented above, Dexia Crédit Local management considered that they do not call into question either the fundamental aspects of the Group’s orderly resolution or the application of the going concern basis of accounting. Considering all of the elements presented above, we consider the assessment of the application of the going concern basis of accounting for the preparation of the financial statements for the year ended December 31, 2021 to be a key audit matter.	We have examined the most recent assessment by the Dexia Crédit Local Executive Committee and Board of Directors of its ability to continue as a going concern during a period of twelve months starting at the closing date of the financial year, as well as the elements used to justify the assessment and the underlying documentation. We implemented the following procedures in accordance with professional standard NEP 570 “Going concern”: – through discussion with management and based on the documentation made available to us, we have assessed the elements on which the liquidity projections were based by Dexia Crédit local; – we assessed the design and implementation of the internal control process with regard to liquidity projections; – we have considered the main regulatory ratios as of December 31, 2021 (Liquidity Coverage Ratio, Common Equity Tier 1) in light of the requirements applicable at that date to the Dexia Group; – concerning the global crisis due to the Covid-19 pandemic, we have taken note of Management’s assessment of its effects on the operational continuity of Dexia Crédit Local; – we have discussed with management the assumptions underlying the most recent version of the business plan revised at the end of June 2021 and approved by the Board of Directors on December 16, 2021; – we have considered the renewed guarantee agreement, known as the “2022 guarantee”, which entered into effect on January 1, 2022; – concerning the events after the reporting date relating to the situation in Ukraine and the consequences of the sanctions taken against Russia, we have considered the assessment by management of the effects on the business continuity of Dexia Crédit Local. Finally, we assessed the appropriateness and relevance of the going concern disclosures in the notes to the financial statements, including the uncertainties surrounding the main assumptions underlying the preparation of the financial statements on a going concern basis.

Operational risks linked to the information systems *(See Note 1.2 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
As a banking group, Dexia Crédit Local is dependent, for its operational activities, on the reliability and security of its information systems. Its activities take place in the specific context of the management of the existing assets portfolios in rundown, in the context of the orderly resolution plan validated by the European Commission on December 28, 2012. In this context, and in order to ensure operational continuity, Dexia Crédit Local has outsourced its IT function (development, production and infrastructure) and back offices to an external service provider. Dexia Crédit Local has also decided, since the 2018 financial year, to entrust the upgrade and management of the IT infrastructure to the same service provider. Due to the global crisis relating to the Covid-19 pandemic, all employees were also required to work from home to ensure business continuity. The measures adopted by the Group exposed it to new risks, particularly relating to the opening of information systems in order to secure remote access to transaction processing applications. In this specific context, the management of operational risk related to the performance of the information systems and the automated treatment of accounting and financial information is considered to be a key audit matter.	The assessment of the general IT controls used throughout the accounting and financial information processing chains is a key step in our audit approach. The audit work performed, some of which was carried out directly at the external service provider, with the assistance of our IT specialists, consisted in particular of: – understanding the structure of the IT landscape and the processes and controls related to the production of the accounting and financial information; – examining the way Dexia Crédit Local handled the impacts of IT incidents that occurred during the accounting period and the related corrective actions implemented; – assessing the operating effectiveness of general IT controls in a context marked by the Covid-19 health crisis and the need for the Group's employees to work from home (access right management to the applications and data, change management and application development, and management of the IT operations) and the key automated controls on significant information systems; – performing detailed procedures on manual journal entries, related to write access rights, and reviewing journal entries and their documentation; – understanding the control and supervision framework currently deployed by Dexia Crédit Local related to the key services rendered by the external service provider in the context of the outsourcing in the context of the Covid-19 health crisis. Finally, we have reviewed the disclosures in the notes to the financial statements on the operational risks with relation to the information systems.

Assessment of credit risk and measurement of impairment *(See Notes 1.4, 2.3, 2.4, 3.5, 5.6 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
Dexia Crédit Local is exposed to credit risk resulting from the inability of its clients to meet their financial obligations. The measurement of credit risk requires the use of judgment by management, particularly in the context of uncertainty surrounding the global crisis due to the Covid-19 pandemic. Once identified, the risk results in the recognition of impairment of the related assets and provisions for the off-balance sheet loan commitments. Firstly, Dexia Crédit Local determines specific impairment and provisions based on an estimation of the individual risk of non-recoverability and of the loss given default. In addition, in the economic context marked by the Covid-19 health crisis, for asset portfolios considered as sensitive, placed on a watch list and on which no specific impairment is recognized, or for assets with an identified proven sector-based risk, collective provisions are determined based on statistical models including professional judgment in the different stages of the calculation, especially for the definition of homogeneous asset portfolios and for the determination of the risk parameters used in the impairment models. As of December 31, 2021, the gross amount of doubtful and non-performing loans was €464 million, while specific and collective impairment amounted to €185 million. Finally, the cost of risk for Dexia Crédit Local was a net charge of €99 million. We considered the assessment of credit risk and the measurement of impairment in a context marked by the Covid-19 crisis to be a key audit matter as they require judgment and estimates by management.	We have reviewed the adequacy of the control process related to credit risk and tested the operating effectiveness of the key controls implemented by management. The key controls mainly concern the identification and monitoring of loans and advances to be impaired and of restructured doubtful loans; compliance with the methodologies defined by Dexia Crédit Local for the estimation of provisions and impairment; the quality and traceability of data used; and the calculation of data from the upstream management and risk systems and its input into the accounting systems. In conducting our audit work on impairments and provisions at the closing date, we took into consideration the most materially significant single outstanding exposures and/or the most materially significant asset portfolios where Dexia Crédit Local professional judgement is key in determining the impairment and provisions, particularly in the complex and evolving context of the global crisis due to the Covid-19 pandemic. The tests included amongst others: – the identification of single files with objective evidence of credit risk: for a selection of files deemed as sound by management, we have assessed the level of credit risk; – the estimation of the specific individual impairment losses: we have assessed, for a sample, the assumptions retained by management in the estimation of the recorded impairment losses; – the estimation of collective provisions: • we have assessed the relevance of methodologies used by Dexia Crédit Local, more specifically the aggregation of assets with similar exposures; • we analyzed the assessment made by Dexia Crédit Local of the impacts of the health crisis on asset classification. We reviewed the disclosures in the notes to the financial statements, particularly the qualitative and quantitative items relating to the impacts of the global crisis due to the Covid-19 pandemic on credit risk assessment.

Valuation of financial instruments *(See Notes 1.3, 2.5, 4.7, 5.1.c and 5.4 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
In conducting its market activities, Dexia Crédit Local holds financial instruments as assets and liabilities recorded at market value. These instruments are recorded at fair market value estimated by valuation models, for which the parameters are either unobservable or cannot be corroborated directly with publicly available market data. The market value is determined according to different approaches depending on the nature and complexity of the instrument: use of directly observable quoted prices, valuation models with predominantly observable parameters or valuation models with largely unobservable parameters. The value calculated may be subject to additional value adjustments to take into account certain specific market, liquidity or counterparty risks. The methods used by Dexia Crédit Local to value these instruments may therefore include a significant part of professional judgment regarding the choice of models and data used. As of December 31, 2021, forward financial instruments represented €233.1 billion in off-balance sheet commitments, and bonds and other fixed income securities totaled €12.7 billion on the assets side of Dexia Crédit Local's balance sheet. Due to the significant nature of the outstanding amounts and the use of judgement to determine the market value, we considered the valuation of financial instruments to be a key audit matter, in particular for instruments valued using non-observable parameters.	We have assessed the relevance of the key controls, defined and implemented by Dexia Crédit Local in the context of the measurement of financial instruments at market value, in particular those relating to: – the governance set up by the risk department to validate and verify valuation models; – the determination of fair value adjustments. We have also relied on our valuation experts to conduct, on a sample basis: – A review of the level of reserves and material value adjustments. We have notably analyzed the relevance of methodologies implemented and conducted an analytical review of impacts recognized; – An analysis of the relevance of the valuation parameters used; we notably analyzed the relevance of the data used and assessed compliance with the hierarchy of sources; – An independent valuation review using our own models. We have also examined the system for calculating and exchanging collateral on derivative instruments and have analyzed the main calculation differences with the counterparties in order to support our assessment of the reliability of the valuations performed by Dexia Credit Local. Finally, we reviewed the disclosures in the notes to the financial statements relating to the valuation of financial instruments.

Valuation of equity securities, other long-term securities and shares in affiliated companies *(See Notes 1.1, 1.4 and 2.7 to the Financial Statements)*	
Key Audit Matter	**How our audit addressed the key audit matter**
Equity securities, other long-term securities and shares in affiliated companies are recognized in the balance sheet of Dexia Crédit Local for a net carrying amount of €312 million. These securities were recognized at acquisition cost, less expenses. At the year-end, they are valued individually at the lower of acquisition cost and value in use, which is representative of the amount the company would be prepared to pay to obtain these securities if it had to acquire them, given its holding objective. This value in use is estimated with reference to a range of criteria such as the current and expected future profitability of the issuer, its equity or the economic environment. Impairment is recognized in respect of unrealized capital losses, calculated by security line, without offset against unrealized capital gains. To cover any losses beyond its capital contribution, Dexia Crédit Local may, where appropriate, recognize impairment in respect of long-term receivables or current accounts, or recognize an additional contingency provision. Given the sensitivity of the model used to variations in the data and assumptions on which the estimates are based, we have considered the valuation of these securities to be a key audit matter.	With the help of our business valuation experts, our work mainly consisted in: – Assessing the justification of the valuation methods and figures used by management to determine the values in use; – Assessing the relevance of the cash flow forecasts in relation to the most recent update of the orderly resolution plan approved by the Board of Directors on December 16, 2021 and key assumptions such as the discount rate; – Testing the mathematical accuracy of the value in use calculations adopted by the company; – Meeting with management to compare the net carrying amount adopted with the outlook resulting from the Dexia Crédit Local orderly resolution plan. Finally, we reviewed the disclosures on equity securities, other long-term securities and shares in affiliated companies in the notes to the financial statements

Specific Verifications

We have also carried out, in accordance with professional standards applicable in France, the specific verifications required by legal and regulatory texts.

Information given in the management report and in the other documents provided to shareholders with respect to the financial position and the financial statements

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors dated March 24, 2022 and in the other documents addressed to the shareholders with respect to the financial position and the financial statements, with the exception of the point below:

– The fair presentation and the consistency with the financial statements of the information relating to the payment periods mentioned in Article D.441-6 of the French Commercial Code call for the following comment: as indicated in the management report, this information does not include banking and related transactions, as your Company considers that they do not fall within the scope of the information to be produced.

Report on corporate governance

We certify that the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code has been included in the section of the Board of Directors' management report devoted to corporate governance.

Other Legal and Regulatory Verifications or Information

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of December 17, 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the statutory auditors

We were appointed statutory auditors of Dexia Crédit Local by the Shareholders' Meeting of May 16, 2008 for Deloitte & Associés and June 28, 1996 for Mazars.

As of December 31, 2021, Deloitte & Associés was in its 14th year of uninterrupted engagement and Mazars in its 26th year.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The annual financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of your Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

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

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

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

Paris la Défense, April 26, 2022

The Statutory Auditors

MAZARS

Laurence KARAGULIAN   Virginie CHAUVIN

DELOITTE & ASSOCIÉS

Jean-Vincent COUSTEL

General information

Legal and administrative information

1. Regarding the company

Company history	Dexia Crédit Local was one of the three principal entities of the Dexia Group, the Franco-Belgian financial group created in 1996 through the merger of Crédit Local de France and Crédit Communal de Belgique, two credit institutions specialised in the financing of local governments and participants in local economies. Dexia Crédit Local, set against the major restructuring of the Group and the implementation of the Group's orderly resolution plan, is the main subsidiary of the Dexia Group.
Corporate name **Trade name**	As specified in its by-laws, the Company's corporate name is Dexia Crédit Local. The Company uses the trade name Dexia.
Country of origin **Incorporation date and term**	The country of origin of the Company is France. It was incorporated in Paris on 28 August 1989 for a term of 99 years.
Registration number	The Company is registered with the Clerk of the Commercial Court of Nanterre under no. 351 804 042, and its APE business identifier code is 6492Z.
Registered office	Since 1 March 2007, the Company's registered office and principal place of business has been located at: Tour CBX La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense, France (tel: +33 1 58 58 77 77).
Legal form **Applicable legislation**	Legal form Applicable legislation Dexia Crédit Local is a French limited company (société anonyme) with a Board of Directors, as governed by Articles L.225- 17 et seq. of the French Com-mercial Code and Article L.511-1 of the French Monetary and Financial Code.
Business purpose	The purposes for which the Company is established are: • to conduct in France and abroad any and all credit operations promoting local development, including notably public services and facilities, mainly for the benefit of local governments and public-sector corporations, local government-backed agencies, local semi-public companies, concessionary public service companies and, more generally, agencies carrying out develop-ment and housing schemes, or which have entered into an agreement with a local govern-ment for the construction or management of local public facilities; • to carry out, for the benefit of the above parties, insurance brokerage activities and any advisory and assistance work in matters of financial management, financial engineering and, more generally, to offer any and all services to facilitate their financial management subject to the legislative provisions relating to the exercise of certain regulated professions; • to receive cash deposits from local governments and local public entities in accordance with the regulations applicable to such bodies; • to hold the funds lent to customers, pending their use; and • to issue debt securities in France and abroad in order to fund the Company's lending operations. For this purpose, the Company may: • create subsidiaries; • hold shares in companies whose activities are likely to facilitate the achievement of the Company's business purpose; • create and manage guarantee funds to ensure repayment of loans made to the agencies mentioned in the first paragraph of this section. The Company may also carry out any and all transactions falling within the scope of its busi-ness purpose on behalf of agencies and institutions set up to serve the public interest.

Fiscal year	The Company's fiscal year begins 1 January and ends 31 December.
Appropriation of net income	Net income for the year, less any prior-year losses and the appropriations provided for in Article 37 of the by-laws (5% for the legal reserve prescribed by law) plus any retained ear-nings, is available for distribution to shareholders. The shareholders' meeting determines the fraction of income available for distribution to be paid out to shareholders in the form of dividends, based on the recommendations of the Board of Directors. The balance of income available for distribution, if any, is allocated either to retained earnings or to one or more reserves, by resolution of the Shareholders' Meeting, which also approves the use to be made of said reserves. The shareholders' meeting may also resolve to pay dividends out of distributable reserves; in this case, the related resolution must clearly indicate from which reserves the dividends are to be taken. Insofar as possible, dividends are, however, taken first from distributable income for the period. The terms and conditions for payment of dividends are set by the share-holders' meeting or, failing that, by the Board of Directors, but dividends must be paid within nine months of the fiscal year-end, unless this period is extended by order of the President of the French Commercial Court ruling on an application by the Board of Directors. Notwithstanding the foregoing, and in the cases provided for by applicable legislation, the Board of Directors is authorized to pay interim dividends to be deducted from the total divi-dends for the year just ended or the current year, prior to the approval of the related financial statements. The amounts and payment dates of such interim dividends will be decided by the Board of Directors. When the final dividend is set, the shareholders' meeting will be res-ponsible for verifying that the provisions of the above-mentioned paragraph have been fully complied with in respect of the total dividend (including any interim dividend).
Shareholders' meetings	**Notice of shareholders' meetings** Shareholders' meetings are called in accordance with applicable regulations. They are conduc-ted at the Company's registered office or any other location mentioned in the meet-ing notice. All shareholders are entitled to obtain copies of the documents they need to be able to make informed decisions and to make a reasoned assessment of the management and control of the Company. The types of documents concerned and the rules governing their transmission to or consul-ta-tion by shareholders are prescribed by law and all applicable regulations. **Right to attend shareholders' meetings** All shareholders are entitled to attend shareholders' meetings upon presentation of proof of identity, provided that their shares are fully paid-up. Shareholders may choose to be represented by another shareholder. Proxies should be filed at the registered office at least five days before the shareholders' meeting. **Voting rights** Shares carry voting rights based on the proportion of capital represented. Each share entitles the owner to one vote. Each person present at the shareholders' meeting is entitled to exercise one vote for each share held and for each share for which he or she holds a proxy.
Place where Company's legal documents may be viewed	All documents and information concerning the Company may be consulted at its registered office. Please address any requests to: Pierre Crevits, Chief Executive Officer
Responsibility for information	Véronique Hugues, Executive Vice-President (+33 1 58 58 69 39).

2. Outlook(1)

Recent events	Since its entry into orderly resolution in 2011, Dexia Crédit Local has been implementing a proactive strategy of reducing business and the balance sheet through the sale of its commercial franchises and asset portfolios. The year 2021 was marked by the continued simplification of the international network and the implementation of the asset disposal programme, as part of a policy of active balance sheet and off-balance sheet management and control of operating costs.
Trends	Subject to the risks and contingencies identified in the present Reference Document, the Dexia Group and Dexia Crédit Local in particular will be moving forward with the implementation of the principles set out in the Group's revised orderly resolution plan, as approved by the European Commission on 28 December 2012. Dexia Crédit Local no longer has any commercial activities in it previous markets, including the public sector financing. After having sold the main part of its commercial franchises, the Group will focus now on the run-off management of outstanding loans, using the guarantee mechanism from the abovemen-tioned States, and the desensitising of sensitive structured loans.
Control	To the best of the Company's knowledge, no agreement exists – including under the terms of the restructuring plan in effect – whose implementation could, at a later date, bring about a change in its control.
Legal and arbitration proceedings	Readers are invited to refer to the text presented on page 94 of this annual report concerning litigations.
Material changes	Since the last fiscal year for which audited financial statements have been published, the Dexia Group continued the implementation of its orderly resolution plan. In this context, it proceeded with the sale of some of its commercial franchises.
Major contracts	The Company currently has no material contracts (other than those entered into as part of the normal course of its business) that may give any member of the Group a right or obligation with a material impact on its ability to fulfil its obligations to holders of issued securities.

(1) The forward-looking elements presented in this section must not be interpreted as guarantees that the forward-looking information will prove accurate or that the desired results will be achieved. The forward-looking statements include a certain number of risks, which may or may not be known or established, but remain subject to contingencies, notably resulting from changes in the macroeco-nomic environment within which the Dexia Group operates. If they were to materialise, these risks could result in the Group's future development, performance and results being different from the objectives suggested and set out.

Declaration of the person responsible for the annual report

The person responsible for the Dexia Crédit Local registration document (annual report) is:
Pierre Crevits, Chief Executive Officer of Dexia Crédit Local.

Declaration of the person responsible for the annual report

I the undersigned, Pierre Crevits, Chief Executive Officer of Dexia Crédit Local,

Hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with all applicable accounting standards and present a true and fair view of the assets, financial position and results of the Company and of all the companies included in the scope of consolidation, and that the management report on page 2 of this annual report presents a true and fair view of changes in the revenues, results and financial position of the Company and of all the companies included in the scope of consolidation and a description of the main risks and uncertain-ties to which they are exposed.

La Défense, 27 April 2022

Pierre Crevits
Chief Executive Officer

Dexia Crédit Local's annual report 2021 has been published by the Communication Department.
This report is also available in French.
In case of discrepancy between the English and the French versions of the annual report,
the text of the French version shall prevail.
Due to environmental concern, Dexia Crédit Local decided not to print its annual report.
It can be downloaded on www.dexia.com

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Nanterre trade register 351 804 042
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