Press release

DEXIA

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Dexia Group consolidated results H1 2022[1]

Progress on the Group's resolution

- *Target volume of disposals set by the Board of Directors in 2019 achieved by 30 June 2022, at a cost 35% below the allocated loss budget*
- *Implementation of structural actions concerning the redesign of the operating model, in particular a partnership with Citi and Arkéa for the processing of payments and the loan back-office respectively*
- *Continuation of the process of selling the GIC portfolio in the United States*

Positive net income of EUR +138 million as at 30 June 2022 against EUR -206 million as at 30 June 2021

- *Recurring elements (EUR -155 million) marked by taxes and regulatory contributions (EUR -62 million)*
- *Accounting volatility elements (EUR +320 million) driven by the positive contribution of the benchmark reform (IBOR)*
- *Non-recurring elements (EUR -27 million) mainly linked to the Group's deleveraging and transformation strategy and benefiting from reversals of provisions for litigation*

Balance sheet down sharply by 21% to EUR 77.8 billion as at 30 June 2022

- *Balance sheet reduction due to lower cash collateral and fair value elements (EUR -19.9 billion) as a result of higher interest rates and, to a lesser extent, to the reduction of asset portfolios (EUR -1.6 billion)*
- *As at 30 June 2022, net cash collateral at a historic low level of EUR 10.5 billion and funding requirement at EUR 53.3 billion, a EUR 8.3 billion decrease over the half-year*
- *Taking these elements into account, long-term issuance activity during the half-year was limited to one public transaction for an amount of GBP 750 million*

Robust "Total Capital" ratio at 39.7%[2] as at 30 June 2022

Pierre Crevits, Dexia CEO, states: "*During the first half of 2022, marked by a tense market context and a particularly complex geopolitical situation, the Dexia Group once again demonstrated its resilience. Driven by the rise in interest rates, the sharp reduction in cash collateral and fair value items resulted in a strong decrease in Dexia's balance sheet total and funding requirements, which increases the Group's resistance to possible liquidity stress. The positive net result for the first half of the year reinforces the Group's solvency position. I salute the constant commitment of the staff who continue to do a remarkable job in managing the Group's resolution.*"

Gilles Denoyel, Chairman of the Dexia Board of Directors, states: "*Within the framework of the long-term strategic reflection initiated in 2021, on a proposal from Dexia's management, the Board of Directors approved a certain number of structural decisions concerning the redesign of the Group's operating model and in particular the management of outsourced services. In the first half of 2022, the Group also reached the target volume of asset disposals set in 2019 and will pursue its efforts to optimise the asset portfolios. I thank Dexia's management and teams for their unwavering commitment to simplifying Group's operations and reducing its balance sheet and risks. The orderly resolution of the Group continues to have positive momentum and I am very pleased with the strong support given to Dexia by the Belgian and French States.*

[1] *The data provided in this Press Release are not audited.*
[2] *The ratio includes the positive net result of the half-year.*

Introduction

The rise in interest rates, which started in 2021, continued in the first half of 2022 with positive consequences for Dexia. Combined with the reduction of the portfolios, the strong decrease of cash collateral and fair value elements resulted in a decrease of more than EUR 20 billion of the balance sheet total over the half year, at EUR 77.8 billion as at 30 June 2022. Furthermore, the reduction of the Group's funding requirement increases its resilience to potential liquidity stress, against a geopolitical background which remains tense.

The positive net result generated by the Group in the first half of 2022 amounted to EUR +138 million, driven in particular by the positive contribution related to the reform of the benchmark indices (IBOR).

Dexia continues to show robust solvency ratios, above the minimum required for the year 2022 within the framework of the Supervisory Review and Evaluation Process (SREP).

Since the delisting of the Dexia share in December 2019 and in accordance with the legal provisions in force, Dexia no longer publishes a half-year financial report. In line with the requirements of the *Autorité des marchés financiers* (AMF) in France, Dexia Crédit Local, the balance sheet of which represents almost the entire scope of Dexia, nevertheless continues to publish a half-year financial report, available at *www.dexia.com*.

1. Significant events and transactions

- *Implementation of structural actions concerning the redesign of the operating model, in particular a partnership with Citi and Arkéa for the processing of payments and the loan back-office respectively*
- *Continuation of the asset disposal programme and achievement of the target volume set in 2019, despite a slowdown due to the volatility of the financial markets*
- *Progress with simplification of the international network*

A. Progress on the Group's resolution

Simplification of the international network

United States

Since the transformation of Dexia Crédit Local's New York branch in 2020, the Group's footprint in the United States consists of a representative office and Dexia Holdings Inc. which owns Dexia Financial Products Holdings Inc. and FSA Global Funding Ltd. As at 30 June 2022, the balance sheet of these entities amounted to EUR 2.3 billion. It is mainly composed of securities on the assets side, guaranteed investment contracts (GICs) and intra-group funding on the liabilities side.

The Group undertook the restructuring of these entities, in particular the sale of a portfolio of 56 GIC contracts to an institutional investor in the United States. The project was launched in 2021 and Dexia has made good progress in obtaining the consents of all third parties necessary to transfer this portfolio. As at 31 December 2021, 21 contracts had been transferred, representing an outstanding amount of USD 57 million. This transfer process continued in the first half of 2022 with the assignment of 23 additional contracts representing an outstanding amount of USD 239 million. The project is expected to be completed in the second half of 2022.

Evolution of the Group's operating model

As part of its long-term strategic thinking, aimed at reassessing the trajectory of its orderly resolution over the next few years, during the first half of 2022 the Group continued the in-depth studies begun in 2021 and undertook structural actions concerning the reshaping of its operating model, in particular the outsourced services and their implementation methods.

In this respect, Dexia signed a contract with Citi, its historical partner for clearing in US dollars, to extend the management of payments to all currencies, thus enabling it to simplify its cash management. The switchover of clearing services to the euro has been effective since June 2022. The project will continue with the gradual transfer of clearing operations in other currencies.

Dexia also signed a contract with Arkéa Banking Services in the first half of 2022 for the back-office processing of loans. Implementation is planned for the second half of 2023. This new stage in the Group's operational transformation will enable Dexia to benefit from a service tested and recognised by other institutions, the development of outsourced services being at the heart of Crédit Mutuel Arkéa's strategy. For the Dexia Group, this is in line with the objective of constantly seeking to optimise its costs and processes, and to control its operational risks in activities which are always complex but with increasingly low volumes.

Finally, the Group's Board of Directors also approved the launch of a tender offer for the management of the market back office.

High market volatility and slower pace of asset disposals

After a year 2021 characterised by favourable market conditions, in particular due to the intervention of central banks and European budgetary support programmes, the high volatility observed on the markets since the outbreak of the conflict in Ukraine slowed the pace of asset sales in the first half of 2022.

Dexia nevertheless continued to implement the asset disposal programme validated by the Board of Directors in July 2019 by seizing the opportunities which arose during the half-year.

Thus, at the end of June 2022, the asset portfolios were down by EUR 1.6 billion compared to the end of December 2021, thanks to EUR 800 million of natural amortisation and EUR 800 million of disposals and early redemptions, one third of which related to loans and two thirds to bonds.

During the first half of the year, 85% of the assets sold or redeemed early were denominated in euros. The assets sold have an average life of about 9 years.

Through the disposals made, Dexia notably reduced its concentration risk on the Japanese public sector and the Republic of Portugal.

Moreover, in the first half of 2022, some fifty operations were the subject of early redemption or restructuring, including “complex” operations (loans indexed on structured indices, revolving credits), thus contributing to the continued simplification of the commercial portfolio.

At the end of June 2022, Dexia has reached the target volume of disposals which was set by the Board of Directors in July 2019, at a cost 35% below the allocated loss budget. In order to pursue the objective of reducing portfolios, the Group's governance bodies decided to extend the programme, aiming in particular at reducing operational risk through the sale of client swaps and undrawn credit lines.

To recall, the Group has no direct exposure to Ukraine or Russia, or any exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

B. Prudential capital requirements applicable to Dexia and its subsidiaries for 2022

On 29 October 2021, the ACPR informed Dexia 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) which must be covered by at least 56.25% of Common Equity Tier 1 capital and 75% of Tier 1 capital.

The temporary easing measures taken by the ECB in April 2020, in the form of the relaxation of the capital conservation buffer and the Pillar 2 guidance, remain in force in 2022. The High Council for Financial Stability has also decided to maintain the level of countercyclical buffer at 0% in 2022 and to increase it to 0.5% from the second quarter of 2023. 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 0.6%, Dexia's capital requirement will be 11.25% in the first 11 months of 2022 and 11.85% in December 2022.

On 5 February 2021, the ACPR also confirmed to Dexia the maintenance of a tolerance which allows Dexia to deduct from its Common Equity Tier 1 regulatory capital the economic impact of remedying a breach of the large exposure ratio. This exemption continues to apply until further notice.

C. Reform of the benchmark indices (IBOR)

In order to improve the reliability and transparency of short-term interest rates (IBOR), a reform has been initiated at a global level aiming at replacing these indices with new risk-free rates such as ESTR (EUR), SOFR (USD) or SONIA (GBP).

Being exposed to IBOR indices, mainly in EUR, USD and GBP, through its financial instruments, Dexia is impacted by this reform. A large number of these financial instruments have already been modified to reflect the new rates, either through the replacement of the reference interest rate or through the insertion of fall-back clauses, specifying the replacement modalities in case of termination of a reference interest rate.

A steering committee monitors the market and the various developments relating to this reform in order to anticipate as well as possible the consequences of the transition to the new reference rates and to manage the stock of existing contracts affected by this reform. Dexia also carried out legal analyses of the contracts concerned by the reform, analyses of the financial impacts linked to the replacement of reference rates and the necessary modifications from an operational point of view.

During the year 2021, Dexia mainly focused its work on the transition of contracts indexed on GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA, taking into account the cessation of these indices respectively on 1 and 3 January 2022.

As at 31 December 2021, Dexia had finalised almost all the transition of contracts on indices ending at that date. The balance concerned contracts for which the terms of transition to the new reference rates had been fixed in 2021 and for which the migration took place in the first half of 2022.

During the first half of 2022, Dexia continued its work with the elaboration of the transition strategy for its instruments indexed on the USD LIBOR, taking into account the end of June 2023 for the termination of the index. However Dexia has not made any changes to the contracts concerned to date.

As at 30 June 2022, in application of the amendments to IFRS 9 and IAS 39 on the reform of reference interest rates[3], the transition of fair value hedging derivatives contracts indexed mainly on GBP LIBOR generated a positive impact on the consolidated statement of income of EUR +329 million. This amount is in line with the estimate communicated by Dexia in the 2021 annual report and is recorded in the accounting volatility

[3] *Phase 2 as from 1 January 2022.*

elements. This impact results from the revaluation, on the basis of the SONIA curve, of the fair value of the hedged risk following its redefinition. It corresponds to the reversal of the GBP/SONIA LIBOR accounting ineffectiveness stock at the time of transition. The alignment of the fair value hedges to the new risk-free benchmark rate removed the volatility arising from the GBP LIBOR/SONIA rate risk and the associated interest rate hedge accounting ineffectiveness.

The impact of the future transition of USD LIBOR indexed instruments on Dexia's consolidated financial statements cannot be estimated at this stage.

2. Half-yearly results H1 2022

- *Recurring elements (EUR -155 million) marked by taxes and regulatory contributions (EUR -62 million)*
- *Accounting volatility elements (EUR +320 million) driven by the positive contribution of the benchmark reform (IBOR)*
- *Non-recurring elements (EUR -27 million) mainly linked to the Group's deleveraging and transformation strategy and benefiting from reversals of provisions for litigation*

A – *Presentation of the Dexia consolidated financial statements as at 30 June 2022*

Going concern

The Dexia consolidated financial statements as at 30 June 2022 have been prepared in accordance with the going concern basis of accounting in accordance with IAS 1 § 25 and 26. This involves a certain number of assumptions constituting the business plan underlying the resolution of the Dexia Group, developed in Appendix 1 to this Press Release.

B – Dexia Group consolidated half-yearly statements

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

The net income Group share of EUR +138 million as at 30 June 2022 is composed of the following elements:

- EUR -155 million attributable to recurring elements[4];
- EUR +320 million linked to accounting volatility elements[5];
- EUR -27 million generated by non-recurring elements[6].

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[4] Recurring elements associated with the carry of assets such as portfolio income, funding costs, operating charges, cost of risk and taxes.
[5] Accounting volatility items associated with asset and liability fair value adjustments in particular including the impacts of the IFRS 13 accounting standard (CVA, DVA, FVA), the valuation of OTC derivatives, the various impacts relating to financial instruments booked at fair value through profit and loss (in particular non-SPPI assets) and the variation of value of derivatives hedging the WISE portfolio (synthetic securitisation of a portfolio of enhanced bonds).
[6] Non-recurring elements, in particular gains and losses on the disposal of holdings and instruments booked at amortised cost or at fair value through equity, costs and gains associated with litigation, cost and indemnities induced by the exit of projects or contracts, restructuring costs or exceptional operational taxes.

Analytical presentation of the Dexia Group H1 2022 results				
(in EUR million)	Recurring elements	Accounting volatility elements	Non-recurring elements	Total
Net banking income	***18***	***320***	***-12***	***326***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	*-167*	*0*	*-15*	*-182*
Gross operating income	***-149***	**320**	**-27**	**144**
Cost of credit risk	*6*	*0*	*0*	*6*
Net result before tax	***-143***	***320***	***-27***	***150***
Income tax	*-12*	*0*	*0*	*-12*
Net income	***-155***	**320**	**-27**	**138**
Minority interests	*0*	*0*	*0*	*0*
Net income, Group share	***-155***	***320***	***-27***	***138***

Recurring elements

Recurring elements		
(in EUR million)	H1 2022	H1 2021
Net banking income	***18***	***6***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-167***	***-167***
o/w Expenses excl. operational taxes	*-105*	*-113*
o/w Operational taxes	*-62*	*-53*
Gross operating income	***-149***	***-161***
Cost of credit risk	*6*	*47*
Net result before tax	***-143***	***-114***
Income tax	*-12*	*-1*
Net income	***-155***	***-115***
Minority interests	*0*	*0*
Net income, Group share	***-155***	***-115***

The net income, Group share, generated by recurring elements is EUR -155 million as at 30 June 2022, compared to EUR -115 million at the end of June 2021.

The net banking income mainly reflects the net interest margin, which corresponds to the cost of carrying assets and the Group's transformation result. The net interest margin increased by EUR 13 million compared to 30 June 2021, to EUR +24 million as at 30 June 2022, mainly due to the decrease in cash collateral, induced by the rise in interest rates.

At EUR -167 million, costs are stable compared to 30 June 2021, as efforts to control general operating expenses (EUR -8 million) are offset by an increase in taxes and regulatory contributions (EUR +9 million).

Indeed, the contribution to the Single Resolution Fund is up, following the revision by the Single Resolution Board of its assumptions on the volume of European deposits.

The cost of risk for the first half of 2022 remained slightly positive at EUR +6 million as at 30 June 2022, mainly composed of:

- a reversal of collective provisions for a net amount of EUR +10 million. This positive impact results from the update of the macroeconomic scenario used for the assessment of expected credit losses under IFRS 9, the increase in interest rates and the evolution of the portfolio (rating changes, disposals, natural depreciation). The update of the macroeconomic scenario includes an additional provision in order, in a prudent approach, to anticipate the potential consequences of the conflict in Ukraine and of the increase in energy prices,
- an increase in specific provisions for a net amount of EUR -4 million, mainly linked to the increase in the provisioning rate of the Tunisian sovereign exposure from 51% to 54%.

Taxes amounted to EUR -12 million.

Accounting volatility elements

Driven by the positive contribution of the reform of the benchmarks (IBOR), the accounting volatility elements are strongly positive at EUR +320 million at the end of June 2022 against EUR +6 million as at 30 June 2021. The main components of the result for the half-year are:

- EUR +329 million income related to the transition of fair value hedging derivatives contracts indexed on GBP LIBOR within the context of the benchmark reform (cf. Significant events and transactions section of this press release),
- an unfavourable impact (EUR -59 million) on fair value hedging inefficiencies, mainly linked to the tightening of spreads on Currency Basis Swaps,
- a positive impact (EUR +23 million) of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA),
- a positive change in the value of assets classified at fair value through profit or loss (EUR +12 million).

Non-recurring elements

Non-recurring elements amounted to EUR -27 million as at 30 June 2022 compared to EUR -97 million as at 30 June 2021 and include:

- losses related to asset disposals under the deleveraging programme validated in 2019, for an amount of EUR -24 million,
- a net positive impact of provisions for litigation of EUR +11 million, mainly related to reversals of provisions on French structured loans,
- an impact of EUR -15 million, mainly related to restructuring and transformation costs, within the context of the Group's resolution.

Non-recurring elements		
(in EUR million)	**H1 2022**	**H1 2021**
Net banking income	***-12***	***-63***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-15***	***-5***
o/w Expenses excl. operational taxes	*-15*	*-5*
o/w Operational taxes	*0*	*-1*
Gross operating income	***-27***	***-68***
Cost of credit risk	*0*	*0*
Net gains or losses on other assets	*0*	*0*
Net result before tax	***-27***	***-68***
Income tax	*0*	*-54*
Result from discontinued operations, net of tax	*0*	*25*
Net income	***-27***	***-97***
Minority interests	*0*	*0*
Net income, Group share	***-27***	***-97***

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

A – Balance sheet and solvency

- *Balance sheet down by 21% compared to the end of 2021, to EUR 77.8 billion as at 30 June 2022, driven by higher interest rates*
- *Robust Total Capital Ratio at 39.7%[7] as at 30 June 2022, compared to 31.6% as at 31 December 2021*

a – Half-yearly balance sheet evolution

As at 30 June 2022, the Group's consolidated balance sheet total amounted to EUR 77.8 billion, compared to EUR 98.7 billion as at 31 December 2021, i.e. a decrease of EUR 20.8 billion, mainly driven by the rise in interest rates.

On the assets side, the decrease of the balance sheet is explained, at a constant exchange rate, by the very strong decrease of fair value items (EUR -10.3 billion) and of posted cash collateral (EUR -9.6 billion) and, to a lesser extent, by the reduction of the asset portfolio (EUR -1.6 billion).

On the liabilities side, the evolution of the balance sheet is mainly reflected, at a constant exchange rate, by the decrease of fair value items and cash collateral received (EUR -12.8 billion) and by the reduction of the market funding stock (EUR -8.4 billion).

Over the half-year, the impact of exchange rate variations on the evolution of the balance sheet was not significant.

[7] *The ratio includes the positive net result of the half-year.*

b - Solvency

As at 30 June 2022, Dexia Group's total capital amounted to EUR 6.8 billion, against EUR 6.5 billion as at 31 December 2021. This improvement is mainly attributable to the net profit of the half-year (EUR +138 million).

Two items are deducted from the regulatory capital, in line with the requirements of the European Central Bank (ECB):

- the theoretical loss amount corresponding to the remediation of non-compliance with the large exposures ratio which amounted to EUR -4 million, a decrease of EUR 47 million compared to 31 December 2021, due to the actions undertaken by the Group to reduce its concentration risk[8],
- the amount of irrevocable payment undertakings (IPC) to resolution funds and other guarantee funds, which amounted to EUR -79 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 deducted from its prudential equity an amount of EUR -35 million as a supplement for specific provisions.

The additional value adjustments taken into account in regulatory capital within the framework of the Prudent Valuation Adjustment (PVA) amounted to EUR -9 million as at 30 June 2022, against EUR -173 million as at 31 December 2021.

The Debit Valuation Adjustment (DVA) amounted to EUR -32 million, compared to EUR -37 million as at 31 December 2021.

Finally, the impact of the mitigation to 25% 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 +44 million as at 30 June 2022.

As at 30 June 2022, risk-weighted assets amounted to EUR 17.2 billion against EUR 20.6 billion at the end of December 2021, of which EUR 15.3 billion for credit risk, EUR 849 million for market risk and EUR 1 billion for operational risk.

Taking these elements into account, Dexia's Total Capital ratio amounted to 39.7% as at 30 June 2022[9], against 31.6% at the end of 2021, a level higher than the minimum required for the year 2022 within the framework of the Supervisory Review and Evaluation Process (cf. Significant events and transactions section of this press release).

As at 30 June 2022, Dexia Crédit Local's Total Capital ratio is also above the minimum requirement at 34.7%[7], compared to 27.6% as at 31 December 2021.

[8] *Cf. Dexia Press Release dated 5 February and 26 July 2018, available at www.dexia.com.*
[9] *The ratio includes the positive net result of the half-year.*

B – Evolution of the Dexia Group liquidity situation

- *Historic decrease of the net cash collateral of EUR 8.5 billion over the half-year to EUR 10.5 billion as at 30 June 2022 leading to a strong reduction of the funding requirement*
- *Given these elements, long-term issuance activity limited over the half-year*
- *High LCR level, in line with the strategy validated in 2017*
- *Liquidity reserve of EUR 12.8 billion at the end of June 2022, calibrated to the end of access to European Central Bank facilities as at 1 January 2022*

The rise of interest rates, which began in 2021, continued in the first half of 2022 with positive consequences for Dexia. Indeed, the net cash collateral posted by the Group to its derivative counterparties shows a strong decrease of EUR 8.5 billion over the half-year and stood at EUR 10.5 billion as at 30 June 2022. Combined with the reduction of portfolios, this decrease in net cash collateral resulted in a significant decrease of EUR 8.3 billion in the Group's funding requirements over the half-year, to EUR 53.3 billion as at 30 June 2022. Given this favourable development, the Group's long-term issuance activity was limited to one successful public transaction launched in January 2022 for a total amount of GBP 750 million.

In terms of funding mix, secured funding amounted to EUR 9.9 billion as at 30 June 2022 and State-guaranteed funding represented 78% of outstanding funding, or EUR 41.8 billion. The Group's liquidity reserve amounted to EUR 12.8 billion, of which EUR 11.7 billion in cash. The Group 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.

As at 30 June 2022, the Group's Liquidity Coverage Ratio (LCR) is 249% compared to 176% as at 31 December 2021. The LCR ratio is also met at the subsidiary level, with each subsidiary exceeding the minimum requirement of 100%. The Group's Net Stable Funding Ratio (NSFR) is 168%[7], against 163% as at 31 December 2021.

Dexia continues closely to monitor the geopolitical situation in Eastern Europe and its impact on the financial markets. At this stage, Dexia has not observed any deterioration in the short-term guaranteed debt market or in the secured funding market. Moreover, the Group has a liquidity reserve calibrated to enable it to face stressed market conditions.

Appendices

Appendix 1 – Going concern

The Dexia condensed financial statements as at 30 June 2022 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 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 condensed financial statements as at 30 June 2022 and the areas of uncertainty 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 to 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 the Group'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.
- Although it manages these risks very proactively, the Dexia Group 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 Group's regulatory capital level.
- The Group 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.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of the Group'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 has continuously reduced its funding requirement and extended the maturity of the funding raised, with a view to prudent liquidity management. The increase in interest rates, starting in 2021 and continuing in 2022, has led to a sharp reduction in the net cash collateral posted by the Group. Combined with the reduction of portfolios, this results in a significant decrease of EUR 8.3 billion of the Group's funding need over the half-year, to EUR 53.3 billion as at 30 June 2022. Given this favourable development and the fact that the Group has maintained a liquidity reserve deemed adequate with the restriction on access to European Central Bank (ECB) funding effective from 1 January 2022, long-term issuance activity was limited to one benchmark successfully launched in January 2022 for a total amount of GBP 750 million. As at 30 June 2022, the liquidity reserve amounted to EUR 12.8 billion, of which EUR 11.7 billion in cash.
- Within the framework of the preparation of the condensed financial statements as at 30 June 2022, Dexia reviewed the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 and retained a base case scenario, based on the most recent European Central Bank (ECB) projections published in June 2022, supplemented by scenarios published by national central

banks when available. The central scenario of the ECB assumes that the current sanctions against Russia will remain in place over the entire projection horizon and that the war will continue until the end of this year without further escalation. In the medium term, the growth outlook remains above historical average rates, reflecting the recovery from the pandemic and the negative impact of the war against the background of a robust labour market. However, Dexia considered this scenario too favourable, given the persistent geopolitical and monetary pressures and the disruptions in supply chains, including gas supply cuts. Therefore, a cautious approach was taken, also taking into account the downside macroeconomic scenario of the ECB and other central banks, which foresees a severe disruption of the European energy supply, again leading to a spike in energy prices and production cuts.

- 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's specific character as a bank in resolution.

Consequently, after having taken all these elements and uncertainties into account, Dexia's management confirms that as at 30 June 2022, they do not call into question the fundamentals of the orderly resolution of the Group or the assessment of the application of the going concern assumption. Therefore, the condensed financial statements can be prepared in accordance with the going concern accounting rules under IAS 1 § 25 and 26.

Appendix 2 – Consolidated income statement (unaudited data)

Consolidated income statement - ANC format		
(in EUR million)	H1 2022	H1 2021
Net banking income	***326***	***-51***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-182	-172
Gross operating income	***144***	***-223***
Cost of credit risk	6	47
Net result before tax	***150***	***-176***
Income tax	-12	-55
Result from discontinued operations, net of tax*	0	25
Minority interests	0	0
Net income, Group share	***138***	***-206***

Appendix 3 – Balance sheet key figures (unaudited data)

(in EUR million)	31/12/2021	30/06/2022
Total assets	**98,650**	**77,823**
of which		
Cash and central banks	9,753	10,300
Financial assets at fair value through profit or loss	9,280	5,353
Hedging derivatives	662	1,548
Financial assets at fair value through other comprehensive income	1,902	1,736
Financial assets at amortised cost - Debt securities	34,767	29,538
Financial assets at amortised cost - Interbank loans and advances	17,308	9,583
Financial assets at amortised cost - Customer loans and advances	24,506	19,541
Total liabilities	**92,083**	**71,106**
of which		
Financial liabilities at fair value through profit or loss	10,116	5,495
Hedging derivatives	16,714	10,949
Interbank borrowings and deposits	6,451	4,131
Customer borrowings and deposits	8,819	8,490
Debt securities	49,406	41,431
Total equity	**6,567**	**6,717**
of which		
Equity, Group share	6,511	6,661

Appendix 5 – Capital adequacy (unaudited data)

(in EUR million)	31/12/2021	30/06/2022
Common Equity Tier 1	6,410	6,725
Total Capital	6,506	6,821
Risk-weighted assets	20,580	17,185
Common Equity Tier 1 ratio	31.1%	39.1%[10]
Total Capital ratio	31.5%	39.7%[10]

[10] *The ratio includes the positive net result of the half-year.*

Appendix 5 – Exposure to credit risk (unaudited data)

(in EUR million)	31/12/2021	30/06/2022
France	19,594	18,585
Italy	16,335	14,629
United Kingdom	18,116	13,751
United States and Canada	4,075	3,529
Spain	3,890	3,287
Portugal	3,381	2,611
Japan	2,873	2,301
Belgium	2,279	2,207
Australia	1,169	1,086
Germany	743	1,388
Central and Eastern Europe	643	482
Other countries	718	939
Total	**73,816**	**64,795**

Exposure by category of counterparty		
(in EUR million)	**31/12/2021**	**30/06/2022**
Central governments	26,458	24,722
Local public sector	28,128	23,390
Project finance	5,921	4,876
Corporate	5,827	4,812
Financial institutions	4,491	3,892
Monolines	1,254	1,241
ABS/MBS	1,182	1,149
Other	555	713
Total	**73,816**	**64,795**

Exposure by rating (internal rating system)		
(in EUR million)	**31/12/2021**	**30/06/2022**
AAA	21.2%	23.9%
AA	4.9%	5.3%
A	19.7%	19.7%
BBB	45.6%	42.5%
Non Investment Grade	7.2%	7.2%
D	0.6%	0.5%
Not Rated	0.6%	0.9%
Total	**100%**	**100%**

Appendix 6 – Group sector exposure (unaudited data)

Group sector exposure to certain countries

(in EUR million)	***Total***	*o/w local public sector*	*o/w corporate and project finance*	*o/w financial institutions*	*o/w ABS/ MBS*	*o/w sovereigns*	*o/w monolines*
France	18,390	3,649	1,258	1,636	0	11,530	317
Italy	14,612	6,498	52	100	0	7,962	0
United Kingdom	13,751	6,555	4,710	485	1,128	0	874
United States	3,287	2,445	491	49	19	282	0
Spain	3,246	1,268	1,053	595	2	278	49
Portugal	2,611	500	31	0	0	2,080	0
Japan	2,301	2,096	0	205	0	0	0

Group sectorial exposure per rating

(in EUR million)	**Total**	*AAA*	*AA*	*A*	*BBB*	*NIG°*	*D*	*no rating*
Sovereigns	24,722	13,899	0	734	10,048	0	41	0
Local public sector	23,390	1,428	2,129	5,878	9,907	3,876	135	37
Financial institutions	4,876	0	0	474	3,499	744	158	0
Project finance	4,812	0	172	3,914	716	2	0	9
Corporate	3,892	0	0	544	3,314	20	0	14
Monolines	1,149	0	1,119	2	0	28	0	0
ABS/MBS	1,241	0	0	1,191	49	0	0	0
Other	713	166	0	0	12	0	0	535
Total	**64,795**	**15,492**	**3,421**	**12,738**	**27,545**	**4,670**	**334**	**595**

Appendix 7 – Asset quality (unaudited data)

Asset quality

(in EUR million)			**31/12/2021**	**30/06/2022**
Impaired assets(1)			577	537
Specific impairments(2)			164	167
	Of which	*Stage 3*	*157*	*159*
		POCI	*6*	*6*
Coverage ratio(3)			25.8%	31.0%
Collective provisions			164	131
	Of which	*Stage 1*	*9*	*11*
		Stage 2	*155*	*120*

(1) Outstanding: computed according the applicable perimeter defined under IFRS 9 (FV through OCI + Amortised Cost + Off Balance)
(2) Impairments: according the portfolio taken into account for the calculation of the outstanding, inclusive the impairments related to POCI
(3) Specific impairments-to-Impaired assets ratio

Appendix 8 – Ratings

Ratings as at 30 June 2022			
	Long term	**Outlook**	**Short term**
Dexia Crédit Local			
Fitch	BBB+	Stable	F1
Moody's	Baa3	Stable	P-3
Moody's - Counterparty Risk (CR) Assessment	*Baa3(cr)*		*P-3(cr)*
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA-	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+