

Dexia Crédit Local

Issuer with an Explicit State Funding Guarantee

Fixed Income Investor Presentation

April 2023



DEXIA

Fixed Income Investor Presentation

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Section 1	Group Profile & State Funding Guarantee
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Dexia Group Profile & State Funding Guarantee

1. Overview of a Group in Orderly Resolution
2. ... with an explicit State Funding Guarantee
3. Pursuing the resolution beyond 2022

Dexia SA

99.6% State-owned banking institution in orderly resolution

Status

- Formerly active in financing European public local sector
- Since 2012, a group in orderly resolution, as approved by the European Commission
- Supervision within the framework of the Single Supervisory Mechanism since 4 November 2014
- 99.6% State-owned (Belgium: 52.78%, France: 46.81%)
- Fully owns [Dexia Crédit Local](#), Group's operating entity and State guaranteed issuer

Mandate

- To manage the balance sheet wind-down in order to preserve the financial interests of the shareholders and the State guarantors; 3 strategic objectives over the resolution period:
 - Secure group's liquidity at all times
 - Ensure operational continuity
 - Preserve capital and observe regulatory requirements

100%

Dexia Crédit Local

- Group's Issuing entity and main operating entity
- Located in France
- Perimeter converging to the one of Dexia SA, with a total consolidated balance sheet of EUR 63.4 billion at 31 Dec 2022; >99% of the group's assets held by Dexia Crédit Local
- Simplified and unified governance with Dexia SA; members of Management Board and Board of Directors of Dexia SA being members of those of Dexia Crédit Local

Dexia Group Profile

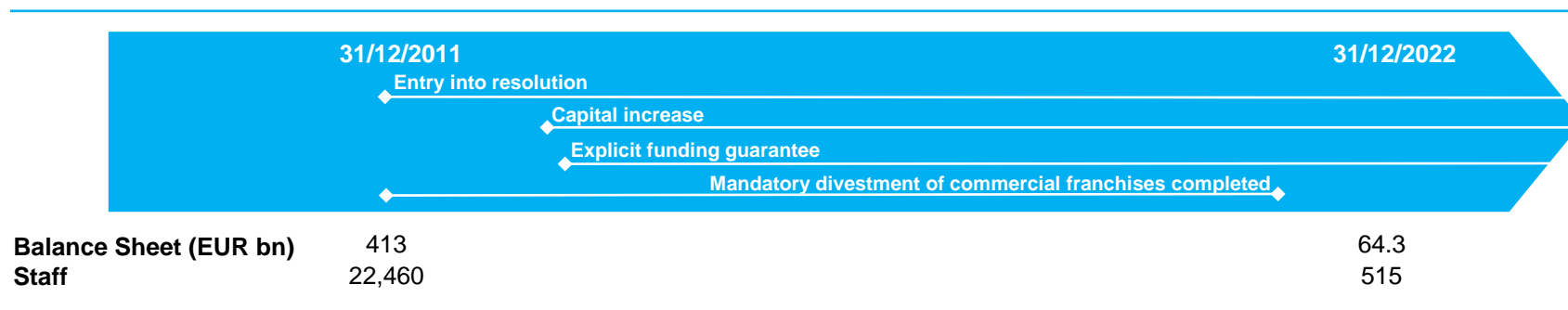
Overview of a Group in Orderly Resolution

Dexia Revised Orderly Resolution Plan, approved by the European Commission on 28 Dec. 2012

- Dexia revised orderly resolution plan setting the base of the orderly run-down of the Group's activities
- In essence, plan calling for the disposal of identified commercial franchises and the management in run-off of other franchises without new commercial production
- Support provided by the Belgian and French States to allow the Group's orderly resolution in the long run

State Support under the form of

- A EUR 5.5 billion capital increase subscribed by the Belgian and French States on 31 Dec. 2012
- An explicit funding guarantee granted by the Belgian, French and Luxembourg States on 24 Jan. 2013
- Extension of the State Guarantee approved by the European Commission on 27 Sept. 2019, and adoption of the legal texts by the French and Belgian States on 29 December 2020 and 27 June 2021 respectively
 - For another 10 years, as from 1 Jan. 2022
 - The new guarantee ceiling is EUR 75 billion
 - The Luxembourg State no longer participates.



Dexia Group Profile

... with an extended explicit State Funding Guarantee granted by the Belgian and French States

Features of the 2022 Guarantee

- Explicit State guarantee¹ granted to Dexia Crédit Local
- Ceiling of EUR 75 billion in principal² 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
- Shared 53% Belgium (AA / Aa3 / AA-), 47% France (AA / Aa2 / AA)
- Several, not joint, first demand, unconditional, irrevocable
- 2022 State guarantee rated AA / Aa3 / AA- and A-1+ / P- 1 / F1+

Framework of the 2022 Guarantee

- Effective as of 1 January 2022; extends the 2013 Guarantee
- Maximum maturity of 10 years for securities issued under the guarantee and issuance period till 31 December 2032
- Basis commission fee of 5 bps per annum on the guaranteed outstandings
- Conditional deferred commission payable in the event that (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 is progressive as from 2022, to an annual rate of 135 basis points on guaranteed outstanding amounts in 2027
- Confirmation of 0% RW for State Guaranteed debt by National Bank of Belgium and French banking supervisor (ACPR)
- Eligible as HQLA level 1 under the EU Delegated Act on the Liquidity Coverage Ratio

Jurisdiction

- Guarantee governed by Belgian Law

(1) Funding guarantee agreement available on <https://www.dexia.com/en/investors/state-guaranteed-funding>

(2) Guaranteed obligations denominated in foreign currencies are converted into their euro equivalent amount on the date any new eligible financings are issued or entered into

Governmental and Parliamentary Approvals

- **European Commission:** 27 September 2019
- **Belgium:** Law of 27 June 2021 relating to various financial provisions, published in the Belgian Official Gazette on 9 July 2021.
- **France:** Law 2020-1721 of 29 December 2020 on finance for 2021, published in the Official Journal on 30 December 2020

Update on the resolution

1. Recent Developments
2. Balance Sheet
3. Solvency
4. Portfolio Breakdown and Asset Quality

Network & Operating model

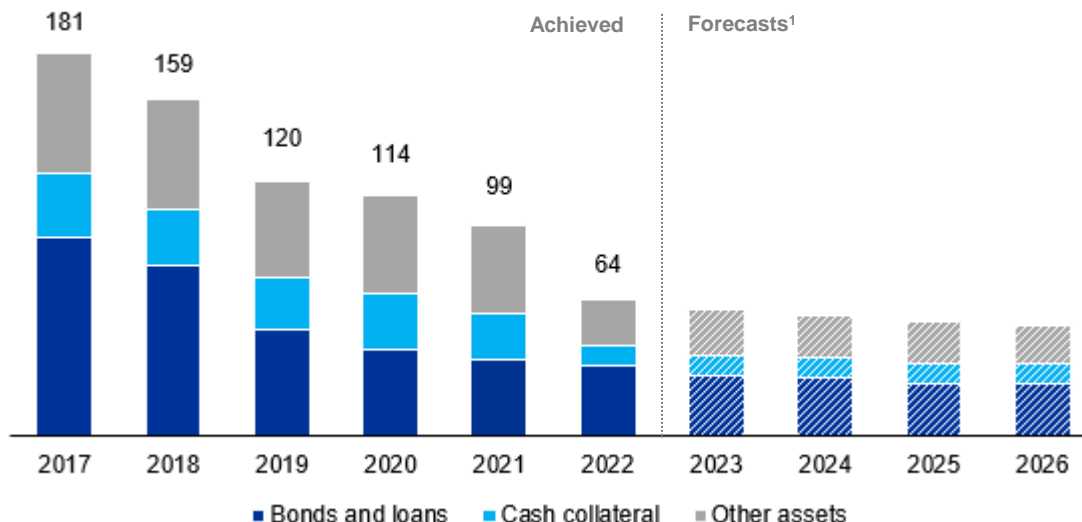
- **Progress with the simplification of the entities network**
 - Ongoing simplification of the French leasing subsidiaries and of the US entities
 - Implementation of the merger by absorption of Dexia Crediop by Dexia Crédit Local by September 2023
- **Structural actions undertaken for the redesign of the operating model**
 - Partnerships with Citi and Arkéa Banking Services for the management of payments and the back-office processing of loans respectively
 - Launch of a tender offer for the management of the market back office

Completion asset disposal programme

- **Asset portfolio down by EUR 2,4 billion** over 2022
 - EUR 1,3 billion of assets sold or redeemed early,
 - assets sold with an average life of about 8 years
 - 78% of assets sold or repaid are denominated in EUR
 - Reduction of the concentration risk on the Japanese public sector and the Republic of Portugal
- Dexia reached **the target volume** set by the Board in July 2019, **at a cost of 35% less than the allocated loss budget**
- No direct exposure to Ukraine or Russia
- No exposure to US regional banks and limited exposure to Credit Suisse and UBS

Indicative¹ Run Off Balance Sheet

For illustration purpose only (in EUR billion)



- Sensitivity to **exogenous factors**, as the amount of cash collateral posted and fair value items may be impacted by interest rate and exchange rate movements. Balance sheet reduction due to lower cash collateral and fair value elements (EUR -27 billion) as result of higher interest rates, and, to a lesser extent, to the reduction of asset portfolios (EUR -2.4 billion).
- As at 31 December 2022, net cash collateral at a historic low level of EUR 8.3 billion and funding requirement at EUR 44.8 billion, a EUR 16.8 billion decrease over the year
- **No numerical targets** set by the European Commission in terms of asset disposal; deleveraging mainly driven by asset value optimization

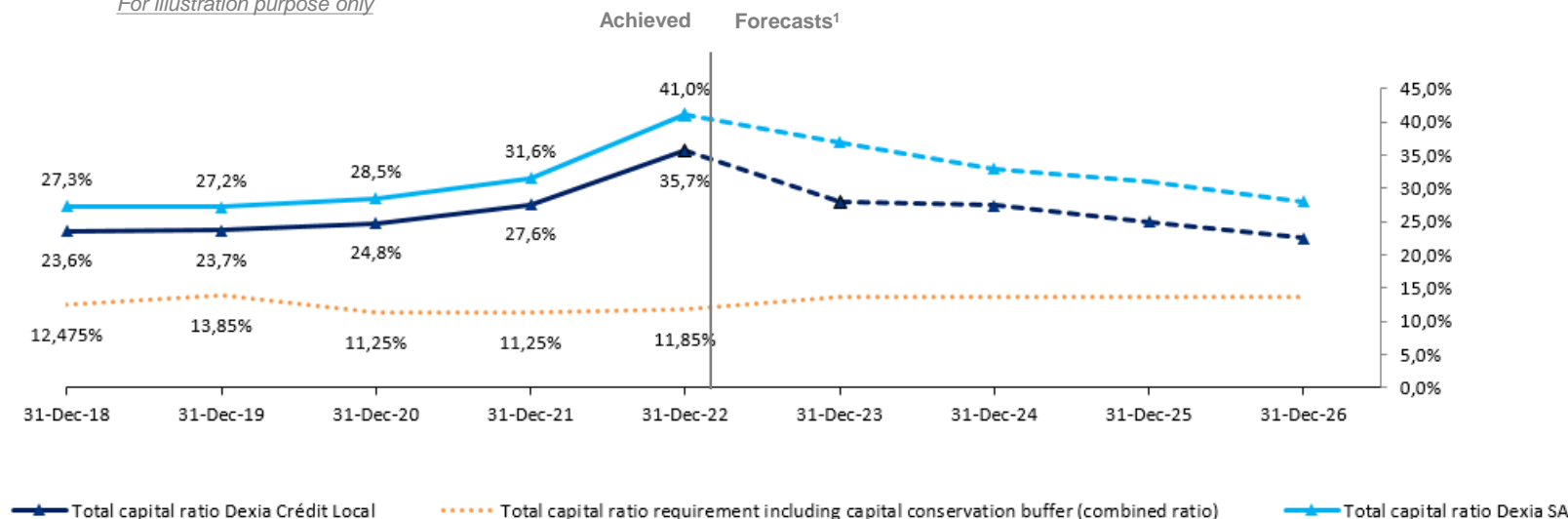
(1) Targeted figures as determined in the business plan of November 2012 (updated in Dec. 2021) underlying the Orderly Resolution Plan approved by the European Commission

Dexia Crédit Local, Issuer of the Dexia Group

Solvency

Total capital ratio

For illustration purpose only



- **Capital measures** undertaken since 2016 aiming at enhancing capital ratios
- Positive **impact of IFRS 9** first time application of EUR ~2.7bn on regulatory capital in 2018 (~500 bps on solvency ratios)
- As from 2020, projections highly sensitive to assumptions on the regulatory and accounting framework
- **Protecting solvency** in targeting **neutral solvency impact** on asset sales
- No impact in terms of distribution of breach of the combined ratio (SREP requirement) including the capital conservation buffer, given the EC distribution restrictions already applying to the group in the frame the Orderly Resolution Plan, for burden sharing purposes
- **SREP² temporary set at 11.85%** as a result of the temporary easing measures related to the Covid-19 pandemic

(1) Projections at year-end as determined in the business plan of November 2012 (updated in Dec. 2021) underlying the Orderly Resolution Plan approved by the European Commission

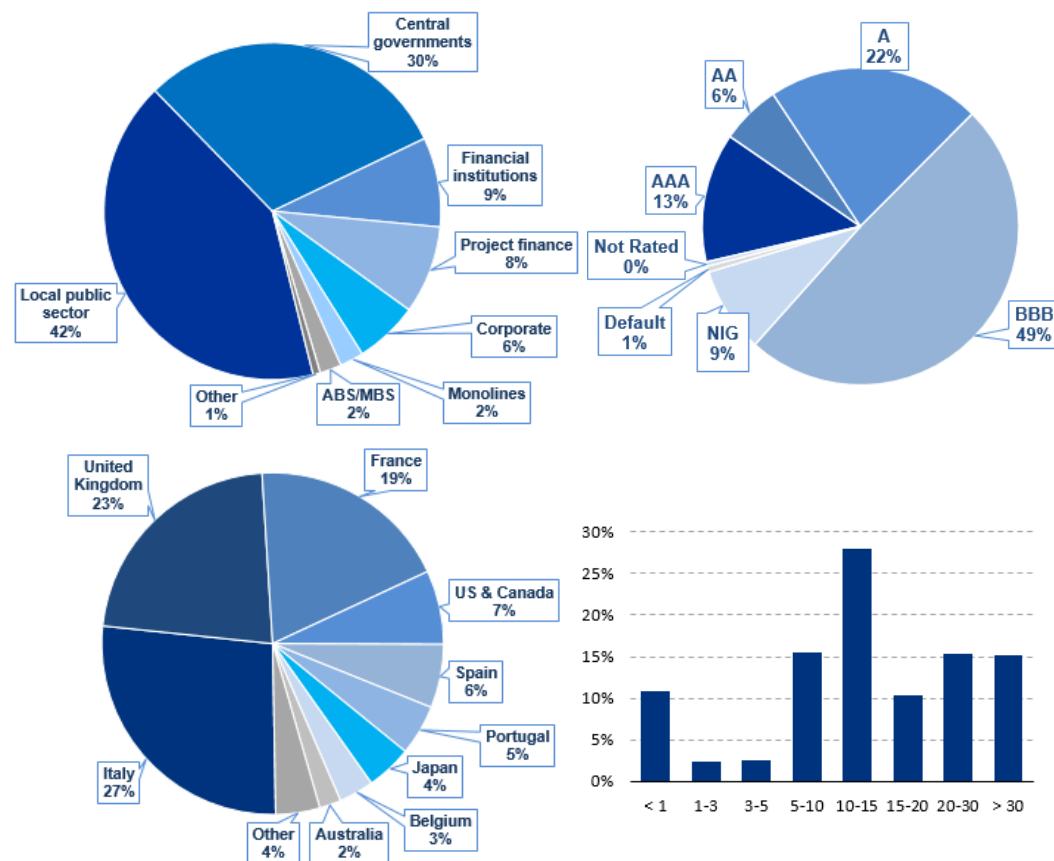
(2) ECB's Supervisory Review and Evaluation Process

Dexia Crédit Local, Issuer of the Dexia Group

Portfolio Breakdown and Asset Quality

- Portfolio reflecting Dexia's previous positioning as a former leader in public financing
- Good asset quality overall: >90% assets within the investment grade range
- Low cost of risk: limited amount of non-performing loans
- Portfolio characterized by long-termed loans to the local public sector (~69% with a maturity above 10 years)
- Significant concentration on specific sectors and counterparts
- Active de-risking policy

Portfolio¹ distribution & maturity breakdown



Key portfolio figures

Number of exposures	6 595
Number of debtors	2 064
Commitments (EAD ²)	EUR 49.8 billion
o/w Loans	EUR 20.4 billion
o/w Bonds	EUR 27.6 billion

Scope: Dexia Crédit Local, as at 31 December 2022

(1) Including deposits with Central Banks (positive liquidity position of EUR 10.8bn as at 31 December 2022, of which EUR 3,6bn in cash).

(2) The Exposure at Default (EAD) corresponds to the best estimate of credit risk exposure at default for a counterparty. The EAD for a counterparty corresponds to the (i) balance sheet assets' accounting book value gross of impairments, (ii) derivatives' mark-to-market plus regulatory add-ons and (iii) off-balance sheet items' nominal amounts times a Credit Conversion Factor.

Funding & Liquidity

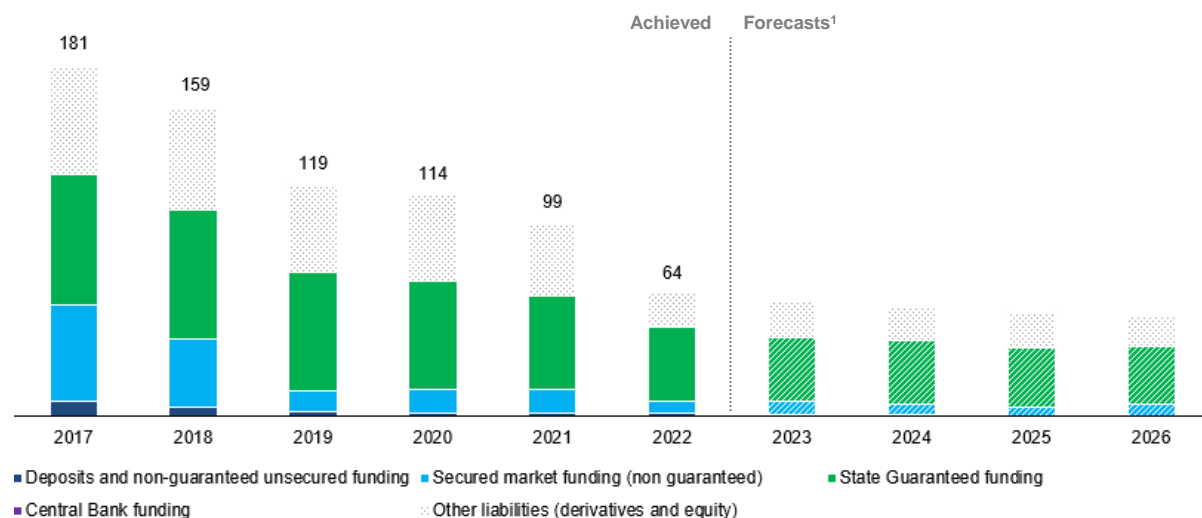
1. Targeted Funding Profile
2. Funding Tool Box
3. Focus on State Guaranteed Issuance
4. State Guaranteed Bonds Secondary Market Levels

Funding & Liquidity

Targeted Funding Profile

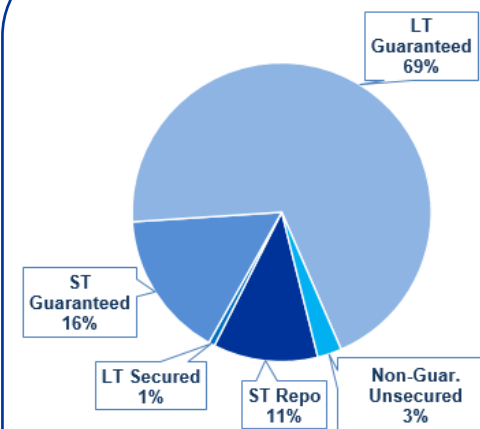
Indicative¹ Consolidated Funding Mix

For illustration purpose only



- Balanced mix between long and short-term funding allows for a sustainable, flexible and cost-efficient refinancing structure
- Increasing share of State Guaranteed funding with a mix converging towards:
 - ~85 % of State guaranteed funding
 - ~15 % of non-guaranteed secured and unsecured market funding
- No reliance on ECB funding:
 - No recourse since end 2017
 - No longer eligible to ECB funding² as from 1 Jan 2022

Funding Mix



- State Guaranteed** funding raised under the State guarantee scheme
- Secured market** funding (non guaranteed) - repo transactions and specific secured mechanisms
- Non-guaranteed unsecured** funding (mostly residual funding raised before 2011)

(1) Figures determined in the business plan of November 2012 (updated in Dec. 2021) underlying the Orderly Resolution Plan approved by the European Commission

(2) Please refer to press release dated 21/07/2017, available on www.dexia.com

	State guaranteed funding		Non guaranteed
	Money market	Debt capital markets	Repo market
Maturity	Up to 1 year	1 to 10 years	Up to 1 year
Format	Commercial Papers	Bonds	Bilateral and Triparty Repo
Currencies	EUR, USD, GBP, CHF, CAD, JPY		Mainly EUR
Issuer	Dexia Crédit Local	Dexia Crédit Local	Dexia Crédit Local
Documentation	ECP USCP NEU CP	EMTN USMTN	GMRA
Yearly targeted volumes	EUR 7.5bn Regular issuance to maintain an average outstanding of EUR 7.5bn in 2023	EUR 1.9bn Annual funding program for 2023	EUR 5.0bn Regular activity to maintain an average of EUR 5bn in 2023

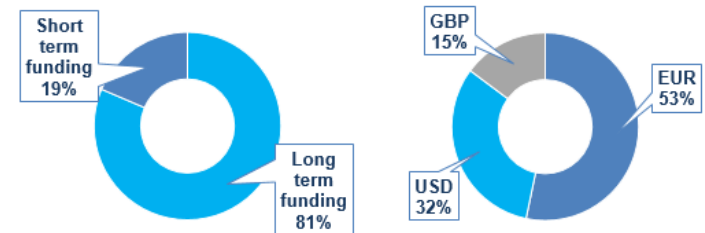
Funding & Liquidity

State Guarantee Issuance

Key pillar of the funding mix

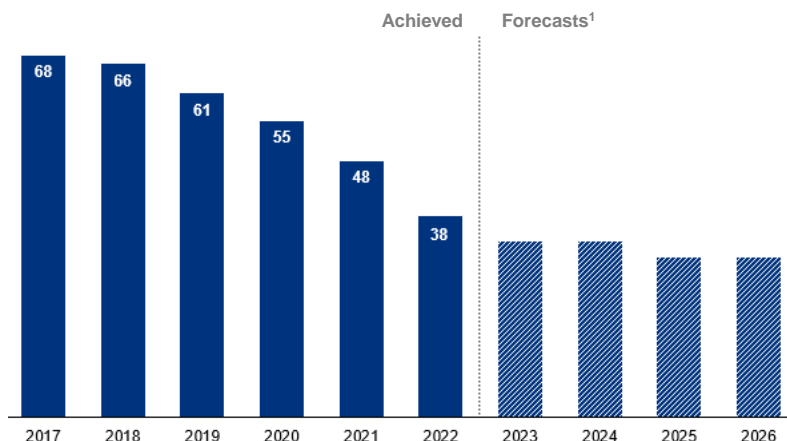
- As the robustness of the explicit State Guarantee has positioned DCL as an SSA issuer, this source of funding progressively became the key pillar of the Group refinancing
- Regular bond and commercial papers issuances allow to benefit from a stable and cost-efficient refinancing structure
- A strong funding franchise developed since 2013 with a focus on the main currencies of the asset portfolio : EUR, USD and GBP

Current State Guaranteed funding mix



Indicative¹ Recourse to State Guarantee

For illustration purpose only



In 2023, targeting State Guaranteed issuances for an average amount of around EUR 9.4bn

	State guaranteed funding	
	Money market	Debt capital markets
Maturity	Up to 1 year	1 to 10 years
Format	Commercial Papers	Bonds
Currencies	EUR, USD, GBP, CHF, CAD, JPY	
Issuer	Dexia Crédit Local	Dexia Crédit Local
Documentation	ECP USCP NEU CP	EMTN USMTN
Yearly targeted volumes	EUR 7.5bn <small>Regular issuance to maintain an average outstanding of EUR 7.5bn in 2023</small>	EUR 1.9bn <small>Annual funding program for 2023</small>

Funding & Liquidity

State Guarantee Issuance - Capital Markets Funding

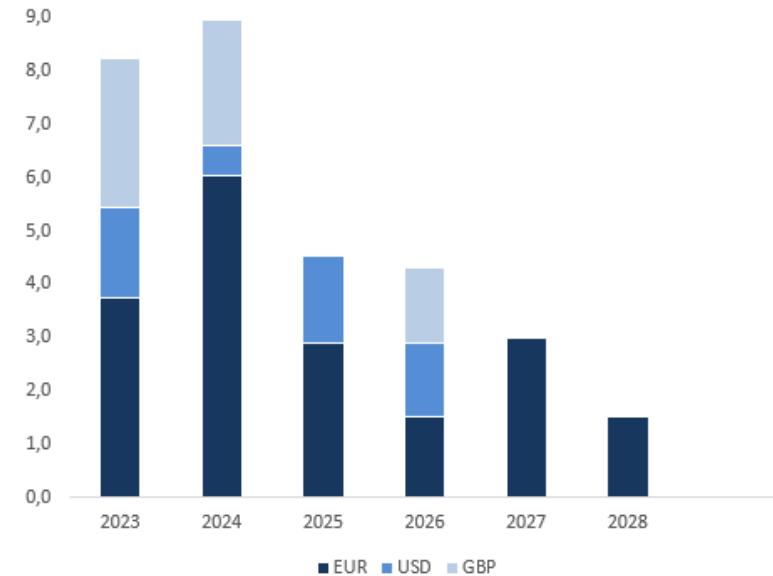
Highlights

- **For 2023, long term funding program of EUR 1.9bn**
- Firm anchorage in SSA landscape due to:
 - Explicit State Guarantee funding
 - HQLA Level 1 status
- Execution strategy:
 - Benchmark transactions to maintain liquid curves
 - Private placement activity currently inactive
- Liquidity of the bonds is carefully monitored

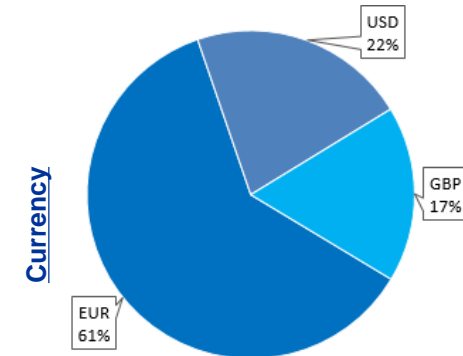
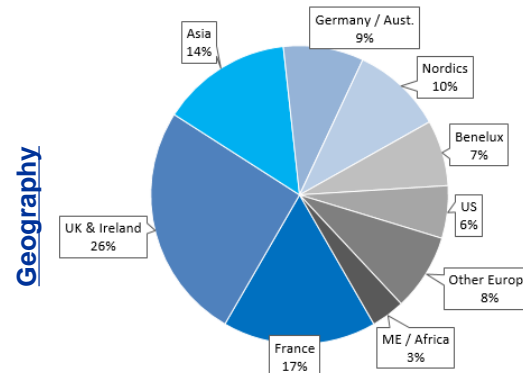
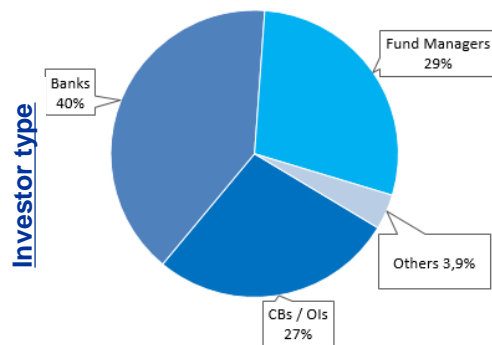
In 2022, EUR 0.9bn issued

- 1 benchmark transaction in GBP
- Duration of 3 years

Redemption profile of outstanding issuances



Debt distribution in 2022



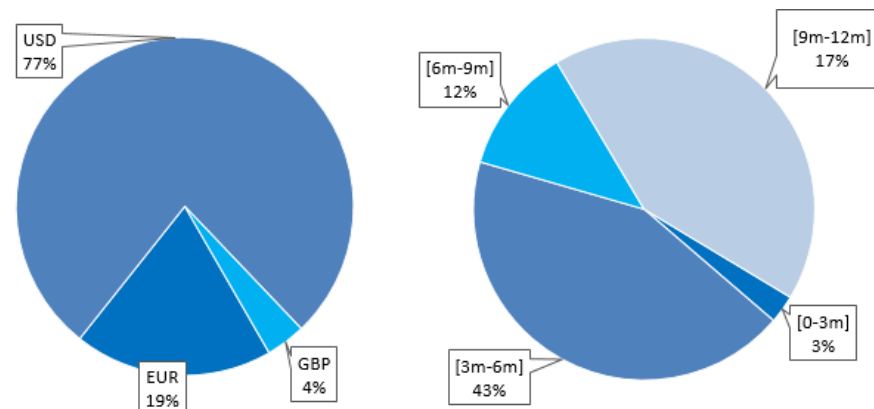
Funding & Liquidity

State Guarantee Issuance - Commercial Paper programs

Highlights

- Objective: managing short-term liquidity
- For 2023, average outstanding targeted at EUR 7bn**
- Frequent issuer in EUR, USD and GBP
- Investor base : Central Banks, Official Institutions and Money market funds

Outstanding by currency and initial duration



Overview of the programs

Program	European Commercial Paper	US Commercial Paper	NEU Commercial Paper
Issuer	Dexia Crédit Local		
Ratings	F1+ / P-1 / A-1+		
Max program size	EUR 15bn	USD 10bn	EUR 5bn
Governing law	English law	State of NY law	French law
Tenors	1 - 364 days	1 - 397 days	1 - 365 days
Currencies	EUR, USD, GBP, CHF, CAD, JPY	USD	EUR, USD, GBP, CHF, CAD, JPY
Issuance volume in 2022	EUR 11,9bn	USD 7,4bn	EUR 0,6bn
Number of transactions	97	90	11
Average ticket	EUR 127m	USD 103m	EUR 54m
Average initial duration	127 days	96 days	133 days
Outstanding as of 31.12.22	EUR 4,9bn	USD 1,9bn	EUR 0,2bn

Fixed Income Investor Presentation

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Dexia Crédit Local

Issuer with an Explicit State Guarantee

Fixed Income Investor Presentation

Appendices



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Appendices

2013 and 2022 Funding State Guarantee Mechanism

Process

- No acceleration of payment. Guarantee calls leading to payment obligations of the States only in accordance with the normal payment schedule of the Guaranteed Obligations (“Pay as you go”)
- Call by any Third-Party Beneficiary or Security Holder, or any proxy holder, agent, settlement institution or trustee acting for the account of the former, on the Guarantee by simple notice delivered to each of the States within 90 days after the date of non-payment by DCL
- Third-Party Beneficiaries or Security Holders not required, in the context of securities and financial instruments, to exercise the Guarantee, to make any demand against DCL, to take any action against DCL or to file claims in any insolvency proceedings relating to DCL
- Regular guarantee payment period of 5 days for all debt issuance except USD short term funding (< 365 days) which may benefit from a shorter 3 days period
- Guarantee drawn up in French and in English, both languages being equally binding
- Guaranteed Debt outstanding to be followed on: www.nbb.be/DOC/DQ/warandia/index.htm

Scope

- **Eligible Financing** : funding raised in the form of securities and financial instruments, deposits or borrowings (Deposits, CP, CD, Notes, Bonds, Loans, Interbank Overdraft and Fiduciary Deposits)
- **Eligible Investors** : Qualified Investors (as per European Directive), Qualified Institutional Buyers, Accredited Investors, Central Banks, Credit Institutions (as per European Directive), social security and assimilated organizations, state-owned enterprises, public or semi public authorities, supranational and international institutions, financial holding companies, investments firms, other approved or regulated, financial institutions, insurance companies, retirement institutions
- **Available currencies** : EUR, USD, GBP, CHF, CAD, JPY

State Guaranteed Debt

	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	AA-		F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA		A-1+

"The stable outlook reflects our expectation that the bank will implement an orderly wind-down of its operations and continue to benefit from the strong commitment of the Belgian and French governments in this process over the next two years. The ratings already factor in our expectation that, although DCL will be loss-making for several years, its capitalization will adequately cover risks, as deleveraging continues.."

Standard & Poor's – 2 Febr 2022

Senior Unsecured Debt

	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

"Significant efforts have been deployed in 2021 to reduce the results' sensitivity to variation in market parameters by reducing the number of derivative operations and hedging basis risks. This will lead to much less accounting volatility in Dexia's results going forward"

Moody's – 25 July 2022

"Fitch considers that there is a high probability that additional support would be provided to DCL by Belgium and France, if required, to complete the orderly wind-down of the company."

Fitch – 14 Nov 2022

Appendices

2021 & 2022 - Government Guaranteed Public Benchmarks

Government Guaranteed Benchmarks in EUR



Government Guaranteed benchmarks in USD



Government Guaranteed benchmarks in GBP

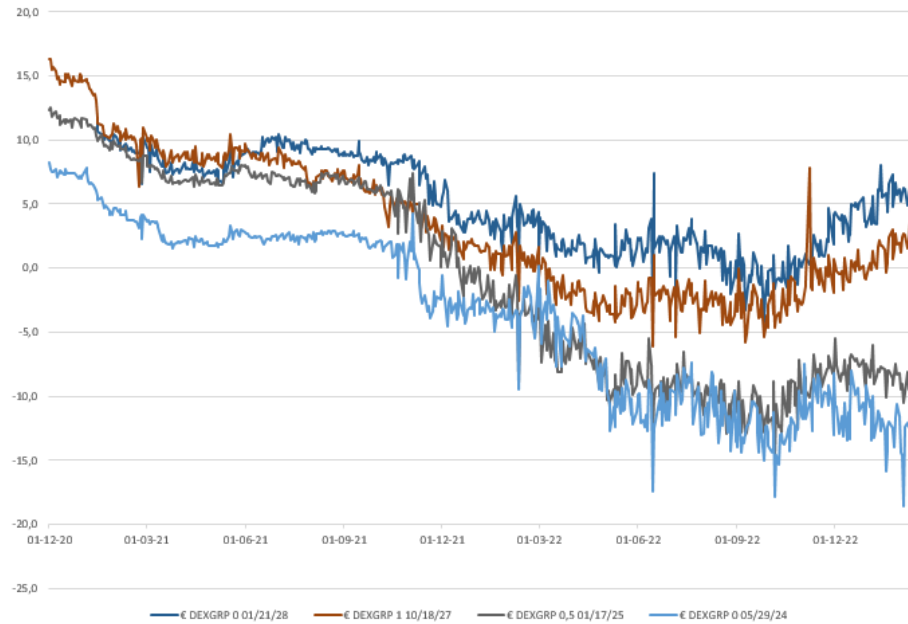


Funding & Liquidity

State Guaranteed Bonds Secondary Market Levels

EUR

Spread vs MS (bps)



USD

Spread vs SOFR (bps)



Net result Group share



Recurring elements : EUR -260 m

- Improvement of the **net interest margin** of EUR +10 m compared to 31 Dec 2021, to EUR +47 m, mainly due to the decrease in cash collateral, induced by the rise of the interest rates, favourable for the transformation result
- Operating costs** of EUR -275 m, down slightly by EUR 4 m compared to 31 Dec 2021
- Cost of risk** slightly negative at EUR -3 m, mainly due to the update of the macroeconomic scenario used for the assessment of expected credit losses, review of sensitive sectors, offset by the +impact of rising rates & portfolio evolution

Accounting volatility : EUR +312 m (benchmark reform (IBOR))

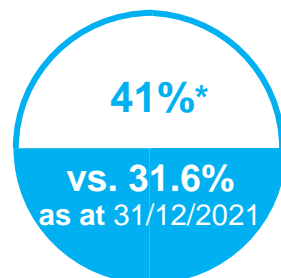
Non-recurring elements : EUR -46 m

Balance sheet



- Balance sheet down EUR -27 billion (-35%),** mainly driven by the rise in interest rates
- Asset portfolio at **EUR 33 billion**, of which EUR 18.9 billion of bonds and EUR 14 billion of loans

Solvency



- Positive impact on net income (EUR +5 million)**
- Risk-weighted assets down** EUR -4.2 billion at EUR 16.3 billion
- Total Capital Ratio at a level higher than 11,75%,** the minimum required for the year 2022 within the framework of the SREP

* Total Capital ratio includes the positive net result of the year

Appendices

Disposal Process

Disposal of major franchises	Status	Main characteristics
Dexia Bank Belgium (renamed Belfius)	Closed 20/10/2011	<ul style="list-style-type: none"> ▪ Sale price EUR ~4 billion
RBC Dexia Investor Services	Closed 27/07/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 838 million
DenizBank	Closed 28/09/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 3,024 million ▪ Balance sheet reduction of EUR ~18 billion
Banque Internationale à Luxembourg	Closed 05/10/2012	<ul style="list-style-type: none"> ▪ Sale price EUR 730 million ▪ Scope of disposal excluding Legacy Division assets and holdings in Paripar and RBC Dexia ▪ Balance sheet reduction of EUR ~12 billion
Société de Financement Local	Closed 31/01/2013	<ul style="list-style-type: none"> ▪ Disposal for 1 euro ▪ No guarantee given on assets sold ▪ Balance sheet reduction of EUR ~84 billion
Dexia Asset Management	Closed 3/02/2014	<ul style="list-style-type: none"> ▪ Sale price EUR 380 million
58.9% participation in Dexia Israël	Closed 18/03/2018	<ul style="list-style-type: none"> ▪ Sale price EUR 82 million
DKD (Kofiba)	Closed 30/04/2019	<ul style="list-style-type: none"> ▪ Sale price EUR 352 million ▪ Balance sheet reduction of EUR ~24 billion
Other disposals	Status	Sale price
DKB Polska	Closed 13/03/2013	<ul style="list-style-type: none"> ▪ EUR 13.7 million
Dexia Bail	Closed 02/04/2013	<ul style="list-style-type: none"> ▪ EUR 1 million
Public LLD	Closed 06/09/2013	<ul style="list-style-type: none"> ▪ EUR 0.4 million
Sofaxis	Closed 30/09/2013	<ul style="list-style-type: none"> ▪ EUR 136 million
Domiserve	Closed 04/10/2013	<ul style="list-style-type: none"> ▪ EUR 2.3 million
ADTS	Closed 06/12/2013	<ul style="list-style-type: none"> ▪ EUR 1.2 million
Popular Banca Privada	Closed 19/02/2014	<ul style="list-style-type: none"> ▪ EUR 49.2 million