2022

ANNUAL REPORT

DEXIA CRÉDIT LOCAL
DCL

Annual Report 2022

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.

2022

Management report

Message from the Chairmen

The year 2022 saw Europe become the scene of a major geopolitical crisis. The Russia-Ukraine conflict raging on its doorstep indirectly affects our daily lives and will, in all likelihood, have considerable economic and political impacts in the long term.

During this very special year, our Group has continued its transformation with steadfastness and determination, continuing the reflection undertaken within the framework of our strategic plan and undertaking the first measures approved within that framework by the Board of Directors.

We have continued to reduce the balance sheet, which has shrunk by more than a third over the past year. This movement was made possible by the rise in interest rates which, in the case of Dexia Crédit Local, had a significant downward effect on the size of the balance sheet, and by the continuation of asset disposals, despite a less favourable context for these operations. The target volume of disposals set in 2019 for the current period was thus achieved in the first half of 2022, at a cost well below the budget initially allocated.

The reduction in the balance sheet has also led to a significant reduction in our funding requirements. This trend increases the bank's resilience to possible liquidity stress and improves its solvency ratios, which are at a high level.
The simplification of our Group has also included the restructuring of the French leasing entities. The remaining entities in the United States also continued the ongoing simplifications. Finally, we launched the merger by absorption by Dexia Crédit Local of its Italian subsidiary, after having ensured that a disposal solution was not possible.

Finally, the year 2022 was also marked by significant progress in terms of adapting our operating model in the area of payments and loans: the contracts signed, one with Citi to extend the management of payments in all currencies, and the other with Arkéa Banking Services for the back-office processing of loans, are evidence of this progress. For Dexia Crédit Local, this is part of an ongoing search for cost and process optimisation, and for control of its operational risks on activities which are always diverse and complex but with increasingly low volumes.

The current year began against a backdrop of uncertainty and tension, with the continuing conflict in Eastern Europe and the banking crisis in the US spreading rapidly to Europe. Our Group has no exposure to US regional banks and very limited exposure to Credit Suisse, consisting only of collateralised derivatives. The impact in the event of a default by that institution would not have been significant. Furthermore, we have not seen any deterioration in our funding conditions at this stage and the bank has a liquidity reserve calibrated to enable it to cope with stressed market conditions.

This difficult context in no way diminishes our determination to pursue our resolution, with the constant support of our State shareholders and the Board of Directors, a determination illustrated, for example, by the launch, at the beginning of January 2023, of a call for tenders for the management of the market back-office.

The involvement of Dexia Crédit Local's staff members has never wavered, even in the many crisis situations which the Group has encountered along the way. They are our best guarantee of successfully resolving the Group's problems and this unfailing commitment is a constant source of pride and recognition for us.

Pierre Crevits
Chief Executive Officer

Gilles Denoyel
Chairman of the Board of Directors

Group Profile

A Group in orderly resolution

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

The Dexia Crédit Local Group has 461 members of staff as at 31 December 2022.

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[3], 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 Crédit Local is supervised by the ACPR.

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.
(3) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014.

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 a branch in Ireland and a 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 Guidi
Executive Vice-President

- Risk

Véronique Hugues
Executive Vice-President

- Finance
- Communication

Benoît Debroise
Executive Vice-President

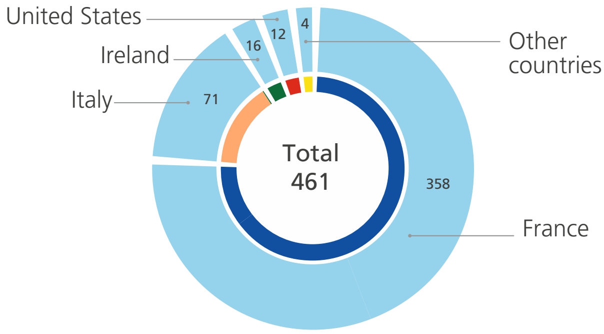
- Funding and Markets

Pascal Gilliard
Executive Vice-President

- Assets

Key figures

NUMBER OF STAFF MEMBERS AS AT 31 DECEMBER 2022



RESULTS (in EUR million)	2021	2022
Net banking income	**(76)**	**371**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(276)	(286)
Gross operating income	**(352)**	**85**
Cost of credit risk	130	(3)
Pre-tax income	**(222)**	**82**
Income tax	(55)	(23)
Net income	**(277)**	**59**
Minority interests	0	0
Net income Group share	**(277)**	**59**

BALANCE SHEET (in EUR billion)	31/12/2021	31/12/2022
Total assets	**97.8**	**63.4**
Total of the asset portfolio	35.6	32.9

SOLVENCY (in EUR million unless otherwise stated)	31/12/2021	31/12/2022
Common Equity Tier 1	5,489	5,745
Total Capital	5,545	5,801
Risk-weighted assets	20,115	16,267
Common Equity Tier 1 ratio	27.3%	35.3% (1)
Total Capital ratio	27.6%	35.7% (1)

(1) The ratio includes the positive net result for the year.

RATINGS AS AT 31 DECEMBER 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+

Highlights

The rise in interest rates, which started in 2021, continued in 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 EUR 34.3 billion of the balance sheet total for the year, at EUR 63.4 billion as at 31 December 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 Dexia Crédit Local in 2022 is positive at EUR +59 million, driven in particular by the positive contribution related to the reform of the benchmark indices (IBOR).
Dexia Crédit Local continues to post robust solvency ratios, above the minimum required for the year 2022 within the framework of the Supervisory Review and Evaluation Process (SREP).

Progress on the Dexia Group's resolution

Simplification of the international network

Italy

During the year 2022, the Dexia Group continued to examine different strategic options regarding the future of its Italian subsidiary Dexia Crediop, including scenarios of a total or partial sale of the entity and a cross-border merger with its parent company, Dexia Crédit Local.
At the end of 2022, the Dexia Group validated the option of a merger by absorption of Dexia Crediop by Dexia Crédit Local, which is currently being implemented. On 15 February 2023, Dexia Crediop submitted a merger file to the Bank of Italy for approval. Subject to such approval, the merger by absorption of Dexia Crediop by Dexia Crédit Local should take place on 30 September 2023, with retroactive tax and accounting effect as from 1 July 2023.
As this is an internal transaction for the Group, it will have no impact on the consolidated financial statements of Dexia Crédit Local.

United States

Since the transformation of Dexia Crédit Local's New York branch in 2020, the Group's footprint in the United States has consisted of a representative office and Dexia Holdings Inc. which owns Dexia Financial Products Holdings Inc. and FSA Global Funding Ltd. As at 31 December 2022, the balance sheet of these entities amounted to EUR 2 billion. It is mainly composed of securities on the assets side, with guaranteed investment contracts (GICs) and intra-group refinancing on the liabilities side.
The Group has undertaken the restructuring of these entities, in particular the sale of a portfolio of 56 GICs to an institutional investor in the United States. The project was launched in 2021 and Dexia Crédit Local has made significant progress in obtaining the consents of all third parties necessary to transfer this portfolio. This transfer process continued into 2022 with the assignment of 28 additional contracts representing USD 301 million outstanding.
In 2023, Dexia Crédit Local will continue the simplification of its North American entities.

France

In 2022 Dexia Crédit Local pursued its simplification objective and undertook the restructuring of its subsidiaries, Dexia Flobail and Dexia CLF Régions Bail, two French leasing companies benefiting from the regulatory status of finance companies. In particular, Dexia Crédit Local sought to optimise the financing and cash flow of these entities, notably through intra-group asset transfers.

Evolution of the operating model

Within the framework of its long-term strategic reflection, aimed at reassessing the trajectory of its orderly resolution over the next few years, during 2022 Dexia Crédit Local continued the in-depth studies begun in 2021 and undertook structuring actions concerning the revision of its operational model, in particular outsourced services and their implementation methods.
In this respect, Dexia Crédit Local 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 is continuing with the gradual transfer of clearing operations in other currencies.
In the first half of 2022, Dexia Crédit Local also signed a contract with Arkéa Banking Services for the back-office processing of loans. The implementation is planned for the second half of 2023. This new stage in the operational transformation will enable Dexia Crédit Local to benefit from a service which has already proved its worth with other institutions, the development of outsourced services being at the heart of Crédit Mutuel Arkéa's strategy. For Dexia Crédit Local, this is part of a permanent search for cost and process optimisation and for control of its operational risks in activities which are always complex but with increasingly low volumes.
Finally, in early January 2023, Dexia Crédit Local launched an invitation to tender for the management of the market back office.

Continuation of the asset disposal programme and achievement of the target volume set in 2019

After the year 2021 characterised by favourable market conditions, in particular by virtue of 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 2022. Dexia Crédit Local nevertheless continued to implement the asset disposal programme validated by the Dexia Group Board of Directors in July 2019 by seizing the opportunities which arose during the year.

Thus, at the end of December 2022, the asset portfolios were EUR 2.4 billion lower than at the end of December 2021, as a result of EUR 1.1 billion of natural depreciation and EUR 1.3 billion of disposals and early repayments, half of which were loans and half bonds.

In 2022, 78% of the assets sold or early repaid were denominated in euro. The assets sold have an average life of about eight years.

Through the disposals made, Dexia Crédit Local in particular reduced its concentration risk on the Japanese public sector and the Republic of Portugal.

In addition, more than a hundred operations were subject to early repayment or restructuring, including "complex" operations (loans indexed on structured indices, revolving credit), thus contributing to the continued simplification of the commercial portfolio.

In the first half of 2022, Dexia Crédit Local reached the target volume of disposals which had been set by the Dexia Group Board of Directors in July 2019, at a cost of 35% less than the allocated loss budget. In order to pursue the objective of portfolio reduction, the Dexia Group's governance bodies decided to extend the programme. During the second half of 2022, disposals and early repayments reached a volume of EUR 500 million.

To recall, Dexia Crédit Local has no direct exposure to Ukraine or Russia, and no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

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 aimed at replacing these indices by new nearly 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 Crédit Local 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 arrangements in the case of a termination of a reference interest rate.

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

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

As at 31 December 2021, Dexia Crédit Local had finalised almost all the transition of the contracts on the indices ending on 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 2022.

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

As at 31 December 2022, in application of the amendments to IFRS 9 and IAS 39 on the reform of reference interest rates, the transition of fair value hedge 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 Crédit Local in the 2021 annual report. 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 has removed the volatility arising from the GBP LIBOR/SONIA interest rate risk, as well as the associated interest rate hedge accounting ineffectiveness.

On the basis of the estimates made as at 31 December 2022, and taking into account the market conditions and the assumptions retained for the transition arrangements as at 30 June 2023, Dexia Crédit Local does not expect the future transition of the instruments indexed on USD LIBOR to have a significant impact on its consolidated financial statements in 2023.

Evolution of the Dexia Crédit Local governance

On 26 January 2023, the Board of Directors of Dexia Crédit Local co-opted Anne Blondy-Touret as a non-executive director to replace Marie-Anne Barbat-Layani, who resigned from the Board of Directors on 24 October 2022. Her definitive appointment will be approved by the Ordinary Shareholders' Meeting of Dexia Crédit Local on 23 May 2023.

On 10 March 2023, the Board of Directors of Dexia Crédit Local co-opted Ludovic Planté as a representative of the French State and non-executive director, to replace Claire Vernet-Garnier, who resigned from the Board of Directors on 15 November 2022. His definitive appointment will be approved by the Ordinary Shareholders' Meeting of Dexia Crédit Local on 23 May 2023.

As the governance of Dexia and Dexia Crédit Local is integrated, Anne Blondy-Touret and Ludovic Planté are also non-executive directors of Dexia.

Prudential capital requirements applicable to Dexia Crédit Local and its subsidiaries for 2023

The ACPR informed the Dexia Crédit Local Group of the qualitative and quantitative prudential requirements with regard to solvency applicable to Dexia Crédit Local, on a consolidated basis, and its Italian subsidiary Dexia Crediop as from 1 January 2023, in accordance with Council Regulation (EU) 1024/2013 dated 15 October 2013. These requirements are based in particular on the conclusions of work carried out by the ECB within the framework of the Supervisory Review and Evaluation Process, (SREP).

More detailed information is provided in the chapter entitled "Information on capital and liquidity" in this Annual Report.

Post-balance-sheet events(1)

At the beginning of 2023, Dexia Crédit Local is closely monitoring the evolution of the banking sector in the United States and Europe and its impact on the financial markets. The bank has no direct exposure to Silicon Valley Bank, Signature Bank and Silvergate or to any US regional bank. Its exposure to the North American banking sector is extremely limited and restricted to international institutions, which, since the 2008 crisis, have been subject to higher capital requirements and closer supervision than regional banks.
Moreover, Dexia Crédit Local has a limited exposure to Crédit Suisse (EUR 49 millions(2)) and to UBS (EUR 54 millions(2)), composed solely of collateralised derivatives. The impact in the event of an actual default is not significant.
At this stage, Dexia Crédit Local has not observed any deterioration on the short-term secured debt market or on the secured funding market. The bank has a liquidity reserve calibrated to enable it to cope with stressed market conditions.

(1) Drafting of the text closed on 24 March 2023
(2) Exposure at default (EAD) as at 1 January 2023.

Financial results

Notes regarding the Dexia Crédit Local Group's annual consolidated financial statements 2022

Going concern

The consolidated financial statements of Dexia Crédit Local as at 31 December 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 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 consolidated financial statements.

The main assumptions used by management to prepare the financial statements as at 31 December 2022 and the areas of uncertainty are summarised below:

- The continuation of the resolution assumes that Dexia Crédit Local maintains a good funding capacity which relies in particular on the maintenance of the rating of Dexia Crédit Local at a level equivalent to or higher than Investment Grade, the appetite of investors for the debt guaranteed by the Belgian and French States and the ability of Dexia Crédit Local to raise secured funding. Since 1 January 2022, Dexia Crédit Local's issues have benefited from the 2022 guarantee, which extends the 2013 guarantee, after it expired on 31 December 2021.
- 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.
- Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of the resolution of Dexia Crédit Local 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 diversified its funding sources, from the point of view of the prudent management of its liquidity. The increase in interest rates, which began in 2021 and continued 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 16.8 billion in the Group's funding requirement over the year, to EUR 44.8 billion as at 31 December 2022. Given this favourable development and the fact that Dexia Crédit Local 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 31 December 2022, the liquidity reserve amounted to EUR 10.8 billion, of which EUR 3.6 billion in cash.
- Within the framework of the preparation of the financial statements as at 31 December 2022, Dexia reviewed the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 and retained a base case macroeconomic scenario, based on the most recent European Central Bank (ECB) projections published in December 2022, supplemented by scenarios published by national central banks when available. The central scenario of the ECB foresees a short and shallow recession in early 2023. The labour market should remain relatively resilient to this mild recession. Dexia has nonetheless considered this scenario to be too favourable, given the persistent geopolitical and monetary pressures and the disruptions in supply chains, including energy supply cuts. Indeed, the Dexia Group has also considered the ECB's downside macroeconomic scenario, which foresees a complete cut-off of Russian gas, higher commodity prices, high levels of uncertainty, weaker trade and deteriorating financing conditions. Adopting a cautious approach, the management of Dexia Crédit Local has therefore decided to consider as a base case macroeconomic scenario an equal combination of the ECB's central and downside scenario's.
- Management has also taken into account all of these constraints and uncertainties associated with its operating model as well as the risks related to the continuity of operations, inherent to the specific character of Dexia Crédit Local as a bank in resolution.

Consequently, after having taken all these elements and uncertainties into account, the management of Dexia Crédit Local confirms that, as at 31 December 2022, 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. As a consequence, the consolidated financial statements can be prepared in accordance with the going concern accounting rules 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 fully 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 financial statements

Analysis of the consolidated income statement

The net income Group share amounted to EUR +59 million as at 31 December 2022, against EUR -277 million at the end of December 2021.
Over the year, net banking income was EUR +371 million, against EUR -76 million at the end of 2021. It includes:
- The net interest margin, which is stable over the year, at EUR +60 million. It corresponds to the cost of carrying assets as well as to the bank's transformation result.
- Net commissions of EUR -11 million.
- Net gains or losses on financial instruments at fair value through profit or loss, which amounted to EUR +346 million. In particular they include EUR +329 million income related to the transition of fair value hedging derivatives contracts indexed on LIBOR GDP, JPY and CHF, within the context of the benchmark reform (cf. Highlights section of this Annual Report). This item also includes EUR +43 million income related to the restructuring of inflation-linked hedging derivatives. The change in market parameters during the year, in particular the tightening of credit spreads on Currency Basis Swaps and the rise in interest rates, had a negative impact of EUR -107 million (EUR -151 million in 2021) on fair value hedging inefficiencies. Assets classified at fair value through profit or loss show a positive variation (EUR +24 million), as well as the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA), at EUR +58 million.
- Net gains or losses on financial instruments at fair value through equity of EUR -6 million and net gains or losses on financial instruments at amortised cost of EUR -43 million related to asset disposal programmes.
- Net income from other activities of EUR +24 million, mainly related to the evolution of legal litigation.

At EUR -286 million, costs were up by EUR 10 million compared to 31 December 2021. In addition to staff costs, they include an impact of EUR -34 million, mainly related to restructuring and transformation costs in the context of the Group's resolution, as well as an amount of EUR -63 million for taxes and regulatory contributions. The contribution to the Single Resolution Fund increased by EUR 10 million compared to the previous year, following the Single Resolution Board's revision of its assumptions on the volume of European deposits.
The main change in the result compared to 31 December 2021 is in the cost of risk. As at 31 December 2022, it amounted to EUR -3 million, compared to an amount of EUR +130 million as at 31 December 2021, following numerous reversals of provisions. The cost of risk for the year was mainly composed of:
- a reversal of collective provisions for a net amount of EUR +5 million. This reversal includes a charge of EUR -28 million related to the update of the macroeconomic scenario used for the assessment of expected credit losses under IFRS 9 and, in a prudent approach, integrating the potential consequences of the conflict in Ukraine and of the increase in energy prices. It also includes a EUR -17 million charge following the review of sensitive sectors, in particular the move to Stage 2 of exposures to the UK hospital sector, following the rise in sovereign borrowing rates and post-Brexit inflation, which could put pressure on the financial balances of the UK government and the health system. These negative amounts are largely offset by the effect of higher rates (EUR +20 million) and portfolio evolution (rating changes, disposals, natural depreciation) (EUR +32 million).
- an increase in specific provisions for a net amount of EUR -8 million, mainly linked to the increase of the provisioning rate on the Tunisian sovereign exposure from 51% to 56%.

Taxes amounted to EUR -23 million.

CONSOLIDATED INCOME STATEMENT – ANC FORMAT (in EUR million)	**2021**	**2022**
Net banking income	**(76)**	371
General operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(276)	(286)
Gross operating income	**(352)**	**85**
Cost of credit risk	130	(3)
Pre-tax income	**(222)**	**82**
Income tax	(55)	(23)
Net income	**(277)**	**59**
Minority interests	0	0
Net income Group share	**(277)**	**59**

Evolution of the consolidated balance sheet

As at 31 December 2022, Dexia Crédit Local's consolidated balance sheet total amounted to EUR 63.4 billion, compared to EUR 97.8 billion as at 31 December 2021, i.e. a decrease of EUR 34.3 billion, driven principally by the rise in interest rates.

The asset portfolio now stands at EUR 32.9 billion, composed of EUR 18.9 billion in bonds and EUR 14 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 a constant exchange rate, the decrease of the balance sheet is explained by the very sharp fall of fair value items (EUR -14.7 billion) and posted cash collateral (EUR -12.1 billion) and, to a lesser extent, by the reduction of the asset portfolio (EUR -2.4 billion).

On the liabilities side and at a constant exchange rate, the evolution of the balance sheet is mainly reflected by the decrease of fair value items and cash collateral received (EUR -17.3 billion) and by reduction of the stock of market funding (EUR -16.5 billion).

Over the year, the impact of exchange rate variations on the evolution of the balance sheet amounted to EUR -0.7 billion.

Information country by country

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

Information country by country

1. ESTABLISHMENTS BY NATURE OF 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	
DCL Évolution	Financing of local investments by finance leasing
Dexia Crédit Local SA	Bank, credit institution
Dexia CLF Régions Bail	Leasing company
Dexia Flobail	Financing of local investments by finance leasing
Dexia Rail	Financing of local investments by 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	(19)	(21)	(2)	12
France	289	67	(13)	358
Cayman Islands	(1)	(1)		0
Ireland	97	54		16
Italy	(23)	(46)		71
United Kingdom	29	29		3

Dexia Crédit Local's statutory financial statements

Evolution of the income statement

The **net income** of Dexia Crédit Local for the 2022 financial year amounted to EUR +533 million, against EUR +136 million in 2021. The 2022 result was impacted by the considerable reversal of provisions of EUR 400 million on the Dexia Crediop holding and was realised against an inflationary background and a rise of interest rates.

Net banking income was positive at EUR +376 million in 2022, against EUR +458 million at the end of 2021. It included the impacts associated with the results of asset disposals and remain sensitive to the evolution of the valuations of investment portfolios.

It consisted in particular of:

- The net interest margin, which amounted to EUR +172 million. It includes the income from the asset portfolios, the cost of funding and the result of the sale of customer loans.

• Dividends received of EUR +16 million from leasing subsidiaries.
• Gains on trading portfolio and financial instruments for EUR +89 million, mainly made up of interest charges on derivatives and impacts of Fair Value Adjustment (FVA) and Credit Value Adjustment (CVA) and exchange rate variations.
• Gains on the investment portfolio of EUR +71 million mainly corresponding to reversals of provisions for impairment.
• Gains related to the investment portfolio of EUR +32 million, including a financial gain of EUR +42 million on a restructuring of inflation-linked hedging derivatives.

Operating expenses were up by EUR +8 million to EUR -257 million as at 31 December 2022 compared to EUR -249 million at the end of 2021. They include in particular the costs related to the work carried out in the framework of the Group's transformation project. Taxes and regulatory contributions in particular increased by EUR +11 million over the year (EUR -62 million in 2022 and EUR -51 million in 2021), attributable to the increase in the contribution to the Single Resolution Fund following the Single Resolution Board's revision of its assumptions on the volume of European deposits.

The **cost of credit risk** had a positive impact of EUR +25 million at the end of 2022. It is mainly composed of:
• a positive effect on credit risk provisions of EUR +20 million. The evolution of the portfolio, notably through the decrease of exposures, and the context of rising interest rates over the year had a favourable effect on the level of provisions;
• the impairment, for an amount of EUR -11 million, of loans granted by Dexia Crédit Local to its subsidiaries DCL Evolution and Dexia Rail;
• a reversal of provisions for EUR +16 million relating to the activity of desensitisation of loans to the French local public sector.

The item **gains/losses on fixed assets** included EUR 400 million of reversal of the provision on Dexia Crédit Local's holding in Dexia Crediop. The stake amounted to EUR 475 million as at 31 December 2022.

In 2021 the **extraordinary result** included an error correction on deferred taxes for past periods for an amount of EUR +26 million. The item was zero as at 31 December 2022.

The **tax charge** amounted to EUR -11 million, in respect of current tax for the year 2022.

INCOME STATEMENT

(in EUR million)	2021	2022
Net banking income	**458**	**376**
Operating expenses	(249)	(257)
Gross operating income	**209**	**119**
Cost of credit risk	(99)	25
Operating income	**110**	**144**
Gains or losses on intangible assets	0	400
Current pre-tax income	**110**	**544**
Exceptional income	26	0
Charges or proceeds of income tax	0	(11)
Income for the financial year	**136**	**533**
Basic earnings per share (in euros)	*0.49*	*1.91*
Diluted earnings per share (in euros)	*0.49*	*1.91*

Evolution of the balance sheet

The balance sheet total as at 31 December 2022 amounted to EUR 56 billion against EUR 75 billion in 2021, i.e. a significant decrease of EUR 19 billion over the year. This decrease is due, on the one hand, to the context of rising interest rates, which translated into a sharp drop in posted cash collateral of EUR 11 billion and, on the other hand, to the decrease in the cash position of EUR 8 billion, partially offset by the placement of liquidity in the form of securities received under repurchase agreements for EUR 3.6 billion.
In application of article R 511-16-1 of the Monetary and Financial Code, the return on Dexia Crédit Local's assets, calculated by dividing net income by the balance sheet total, was 0.94% in 2022.

A - Assets

Customer loans

As at 31 December 2022, the overall outstanding loans to customers increased by 20% to EUR 15 billion (from EUR 12.5 billion at the end of December 2021). This increase of EUR 2.5 billion is explained by the placement of liquidity in the form of securities received under repurchase agreements for EUR 3.6 billion, partially offset by the sale of loans, early repayments and natural amortisation of outstanding amounts for EUR 1.1 billion.

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

The total value of the securities held was EUR 18.8 billion compared with EUR 22 billion at the end of 2021. The evolution of the various portfolios is presented in the notes to the financial statements. They are mainly made up of French and foreign bonds, negotiable debt securities and government securities. The securities items decreased in 2022 as a result of natural amortisation or sales of outstanding amounts.

Equity investments, shares in affiliated enterprises

Equity investments amounted to EUR 537 million as at 31 December 2022, against EUR 312 million at the end of 2021, following the reversal of provisions of EUR 400 million on the Dexia Crediop investment, offset by the reduction of the gross value of the holding Dexia Flobail in the form of a cash reimbursement for an amount of EUR 175 million.

Other assets

The item "Other assets" stood at EUR 9.4 billion against EUR 20.2 billion at the end of 2021.
This item is mainly composed of cash collateral, which fell sharply in the context of an overall increase in interest rates during the year.

B – Liabilities

Banks and financial institutions

The Dexia Crédit Local debt with credit institutions was EUR 1.8 billion as at 31 December 2022 against EUR 3.4 billion at the end of 2021.

Debt securities

The extent of debt securities in total liabilities is a characteristic element of Dexia Crédit Local's balance sheet. As at 31 December 2022, this amount was EUR 38 billion and represented the amount of bonds issued by Dexia Crédit Local, the vast majority of which are guaranteed by 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 5.6 million as at 31 December 2022. 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.

Detail of supplier invoices due as at 31 December 2022

Total invoices	1 - 30 days	31 - 60 days	61 - 90 days	91 days and more	Total
120	(747,942)	(520,656)	(139,677)	(72,417)	(1,480,691)

Detail of customer invoices due as at 31 December 2022

Total invoices	1 - 30 days	31 - 60 days	61 - 90 days	91 days and more	Total
12	0	0	(34,349)	(41,923)	(76,272)

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 holds no inactive account.

FIVE–YEAR FINANCIAL SUMMARY

	2018	2019	2020	2021	2022
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
OVERALL RESULTS (IN EUR)					
Turnover	2,584,397,238	2,158,770,445	1,077,816,686	911,119,109	1,199,875,914
Profit before corporation tax charges, depreciation and amortisation and net allocations to provisions	(859,702,347)	(648,346,161)	(328,484,129)	(10,329,318)	20,506,225
Corporation tax charge	(2,417,794)	23,340,552	1,214,365	3,540	(11,713,898)
Profit after corporation tax charges, depreciation and amortisation and net allocations to provisions	646,943,849	393,202,645	(446,757,858)	136,264,656	532,586,030
Profits distributed	Nil	Nil	Nil	Nil	Nil
RESULTS REDUCED TO ONE YEAR (IN EUR)					
Turnover	9.26	7.73	3.86	3.26	4.30
Earnings after income tax, and before depreciation, amortisation and net impairment charges	(3.09)	(2.24)	(1.17)	(0.04)	0.03
Corporate income tax	(0.01)	0.08	0	0	(0.04)
Profit before corporation tax charges, depreciation and amortisation and net allocations to provisions	2.32	1.41	(1.6)	0.49	1.91
Profit distributed	0	0	0	0	0
STAFF					
Workforce at the end of the year	554	461	400	397	379
Of which executives	436	393	354	358	336
Of which non-executives	118	68	46	39	43
Payroll (in EUR)	71,563,004	58,380,164	49,834,180	45,889,732	46,563,095
Amount paid for social benefits (social security, social works, and so on) (in EUR)	19,730,884	18,070,799	18,636,547	16,753,792	17,636,763

Risk management

Introduction

In 2022, the Risk Management activity line continued the active management of the risk carried by Dexia Crédit Local, in line with the Risk Appetite Framework (RAF). This framework, which includes indicators of solvency, liquidity, profitability, operational and business continuity risks, is intended to define the principles for assessing any deviation of the risk profile from the strategic plan approved by the Group's management bodies.

The contrasted macroeconomic context of 2022, marked on the one hand by the conflict in Ukraine and on the other hand by a rise in interest rates favourable to Dexia, is reflected in a cost of risk of EUR -3 million, which includes in particular a charge related to the update of the macroeconomic scenario used for the assessment of expected credit losses within the framework of IFRS 9 and, in a conservative approach, integrating the potential consequences of the conflict in Ukraine and of the rise in energy prices. It also includes a charge following the review of sensitive sectors. These negative amounts are largely offset by the effect of the rise in rates and the evolution of the portfolio.

To recall, Dexia Crédit Local has no direct exposure to Ukraine or Russia, or any exposure to the Russian ruble (RUB) or the Ukrainian hryvnia (UAH). Dexia Crédit Local, in close coordination with its IT partner, also maintains a high level of vigilance with regard to cyber security, as the geopolitical context accentuates the cyber risk.

Finally, 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.

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 Dexia Annual Report.

Organisation of the Risk activity line

The Risk Management Executive Committee

As at 31 December 2022, 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 Validation and Transversal Risk Management department,
- the Risk Metrics and Reporting department.

The Data Regulatory Expertise department, although attached to the Finance activity line, 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. A consolidated quarterly scorecard is presented by the Risk activity line 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, which 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 financial statements are drawn up.

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 which 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 also 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 situation, 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 activity line, 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. When these committees meet, 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, business 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 processes. The ILAAP processes are steered by the ALCO committee. The "Stress Tests and Pillar 2" 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 a more volatile financial and economic environment with geopolitical and monetary pressures as well as disruptions and breakdowns in supply chains, particularly energy. The ICAAP and ILAAP results are independently analysed by the Validation department and/or internal audit. In continuity with previous years, analyses of the risks of deviations from the strategic plan were carried out for the ICAAP/ILAAP file (the subject of 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 2022, Dexia's credit risk exposure amounted to EUR 49.8 billion, compared to EUR 73.1 billion at the end of December 2021, i.e. a decrease of 32%, mainly due to the impact of the rise in interest rates on assets classified at fair value and, to a lesser extent, to asset sales and the natural amortisation of the portfolio. EUR 20.4 billion of the exposures were in loans and EUR 27.6 billion in bonds. They were mainly concentrated in Italy (27%), the United Kingdom (22%) and France (19%). 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 1.8 billion as at 31 December 2022.

EXPOSURE BY GEOGRAPHIC REGION

(in EUR million)	31/12/2021	31/12/2022
Italy	16,335	13,406
United Kingdom	18,116	11,114
France	19,528	9,487
United States and Canada	4,075	3,486
Spain	3,869	2,991
Portugal	3,381	2,378
Japan	2,873	2,157
Belgium	1,629	1,648
Australia	1,169	1,016
Germany	743	766
Central and Eastern Europe	643	423
Other countries	734	887
TOTAL	**73,093**	**49,761**

As at 31 December 2022, exposures remained mainly concentrated on the local public sector and sovereigns (72%), taking into account the historical activity of Dexia Crédit Local.

EXPOSURE BY CATEGORY OF COUNTERPARTY

(in EUR million)	31/12/2021	31/12/2022
Local public sector	28,128	20,696
Sovereigns	25,825	15,032
Financial institutions	4,507	4,276
Project finance	5,921	4,207
Corporates	5,815	3,031
Monolines	1,254	1,142
ABS/MBS	1,160	1,036
Other	484	339
TOTAL	**73,093**	**49,761**

The quality of Dexia Crédit Local's credit portfolio remains high, with 90% of exposures rated investment grade as at 31 December 2022.

EXPOSURE BY RATING (INTERNAL RATING SYSTEM)

	31/12/2021	31/12/2022
AAA	20.5%	13.2%
AA	5.0%	6.1%
A	19.9%	21.8%
BBB	46.1%	49.2%
Non-Investment Grade	7.3%	8.7%
D	0.6%	0.6%
No rating	0.6%	0.4%
TOTAL	**100%**	**100%**

Particular attention is paid to the sectors and countries listed in the following table in view of the significant amounts of exposure or the degree of sensitivity. The main developments and significant facts for those sectors and countries in 2022 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 Other
Italy	13,406	6,006	33	98	0	7,252	0	18
United Kingdom	11,114	5,186	3,593	499	1,036	0	800	0
France	9,487	3,297	1,097	1,241	0	3,387	297	167
United States and Canada	3,486	1,222	1,154	692	0	372	45	1
Spain	2,991	2,253	447	39	0	252	0	0
Portugal	2,378	488	28	0	0	1,862	0	0
Japan	2,157	1,966	0	191	0	0	0	0
Belgium	1,648	0	0	199	0	1,449	0	0
Australia	1,016	233	783	0	0	0	0	0

GROUP SECTOR EXPOSURE BY RATING

(in EUR million)	Total	AAA	AA	A	BBB	NIG[(1)]	D	No rating
Local public sector	20,696	1,222	1,877	5,161	8,697	3,627	109	2
Sovereigns	15,032	5,211	0	663	9,118	0	41	0
Financial institutions	4,276	0	154	3,467	637	2	0	16
Project finance	4,207	0	0	349	3,035	670	153	0
Corporates	3,031	0	0	56	2.958	16	0	1
Monolines	1,142	0	0	1,142	0	0	0	0
ABS/MBS	1,036	0	1,009	0	0	28	0	0
Other	339	132	0	0	13	0	0	194
Total	**49,761**	**6,566**	**3,039**	**10,838**	**24,458**	**4,343**	**303**	**214**

(1) Non-investment grade.

Dexia Crédit Local Group commitments to sovereigns

Dexia Crédit Local's sovereign commitments are mainly concentrated on Italy, France and to a lesser extent Portugal and Belgium.

The world economy started 2022 positively, with world trade reaching a record level. After 5.5% growth in the first quarter in the eurozone, the economy continued to perform well in the second quarter, growing by 4.2%. However, the war in Ukraine, driving up energy and agricultural prices, and weighing on confidence and supply chains, quickly dampened growth, slowing in the eurozone to 2.3% in the third quarter and just 1.3% (estimate) in the fourth quarter.

Inflation quickly caught fire, rising to 6.2% in the first quarter in the eurozone and continuing to accelerate throughout the year, with 10.0% expected in the fourth quarter. With the exception of the Bank of Japan, the major central banks have tightened monetary policy sharply, causing bond yields to rise significantly.

For the eurozone, GDP growth of 3.3% is expected for 2022, with France and Italy well ahead at 2.5% and 3.8% respectively. Most eurozone countries are expected to avoid a recession by 2023, but virtually no growth is expected.

Public debt levels are expected to fall further overall following the sharp rise in 2020 due to Covid. However, the rise in interest rates has triggered an increase in funding costs, increasing the weight of a still high debt.

Dexia Crédit Local's exposure to the Italian sovereign amounted to EUR 7.3 billion as at 31 December 2022. Market fears following the election of a right-wing coalition, led by Prime Minister Giorgia Meloni, have largely calmed down in the face of the declared will to maintain a relatively prudent fiscal policy. Nevertheless, the fragile coalition makes it difficult to make the necessary reforms.

Dexia Crédit Local has no exposure to the British sovereign. Its total exposure to the UK is nevertheless significant, at EUR 11.1 billion as at 31 December 2022, and mainly concerns local authorities, utilities active in the field of water, gas and electricity transmission and distribution, and project finance. The UK, already under pressure following Brexit, is anticipating five consecutive quarters of contraction from the third quarter of 2022 onwards. For 2023, a 0.9% fall in GDP is expected. The country experienced significant political instability in 2022 and the announcement of substantial tax cuts caused panic in the markets, prompting the Bank of England to intervene.

As at 31 December 2022, Dexia Crédit Local's exposure to Tunisia amounted to EUR 41 million, entirely concentrated on the sovereign. Tunisia was one of the emerging countries hardest hit by the Russia-Ukraine conflict because of its heavy dependence on food and energy imports from the war-torn countries. Although the key tourism sector has rebounded, social and political instability has weighed on growth, reducing it to just 2.2% in 2022 and a forecast 2.0% for 2023. The already high public and external debt continued to rise. In these circumstances, the implementation of a new IMF agreement is crucial for market confidence. A preliminary agreement was reached at the end of the year, but its final approval remains uncertain given the lack of popular support for the ongoing reforms, while the country faces difficult financing conditions and significant funding needs. As a consequence, Dexia Crédit Local increased the provisioning level of its exposure to the Tunisian sovereign from 51% to 56% in the first half of 2022.

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 Europe (Italy, United Kingdom, France, Spain), the United States and Japan.

France

Dexia Crédit Local's exposure to the French public sector amounted to EUR 3.3 billion as at 31 December 2022.

In 2021, local authorities rebuilt their financial leeway, gross savings returned to, or even exceeded, their 2019 level and investments reached a level almost similar to that of 2019. Tax reforms were integrated and debt remained sustainable.

Local authorities were therefore entering the 2022 financial year under good conditions. However, the sharp rise in prices at the beginning of the year compromised this recovery and the revaluation of the civil service index point on 1 July 2022 added an additional constraint.

The dynamism of tax revenues nevertheless enabled local authorities to absorb the price increases, but this should still be against a background of reduced savings and to the detriment of the continuation of certain projects or the exceptional closure of services, whether in terms of operation or investment.

The debt should increase at the end of 2022, mainly carried by the regions and the local authorities, and the cash position should again be increased, but in much smaller proportions than in the last two years.

The financial year 2022 is also the first year of experimentation with the recentralisation of the active solidarity income for two metropolitan departments (Seine-Saint-Denis and Pyrénées Orientales), which will lead to a reduction in social action expenditure and certain revenues of around EUR 700 million[1].

Finally, within the framework of the 2023 Finance Bill and the 2023-2027 Public Finance Programming Bill, local and regional authorities will have to participate in controlling public finances. The challenge will be to limit the increase in their operating expenditure to -0.5% per annum compared to the consumer price index (inflation) anticipated over five years. This measure should concern all local authorities with operating expenditure in excess of EUR 40 million instead of the EUR 60 million of the Cahors [2].

Local authorities should continue to perform well in 2022, despite a fall in savings, which should nevertheless remain in surplus, with dynamic tax revenues (+4.8%) despite the reforms but countered by rising operating expenditure (+6.2%). Local investment should continue, financed mainly by the debt which should increase by EUR 1.2 billion (+0.8%)[3].

Over 2022, the savings of departments fell back slightly with operating expenditure exceeding revenue. Borrowing completed the financing but was down by 7.7% to EUR 2.7 billion, a level comparable to that observed before the health crisis (between 2016 and 2019). Taking into account a higher level of loan repayments (EUR 3.5 billion), the outstanding debt decreased by almost EUR 800 million (i.e. a reduction of 2.5%) and would stand at the end of the year at EUR 31 billion.

(1) Department of Research, Evaluation and Statistics (Report 2022 on the financial situation of complementary organisations providing health cover).
(2) Foundation for Public Administration and Policy Research (What to expect from local government budgets in 2022 and 2023?)
(3) Banque Postale (Note on the economy, trends in 2022).

The regional accounts were marked in 2022 by the confirmation of their rise in power with expenditure increasing by 5.4% (an increase of 47% over 10 years). During the health crisis, the regions demonstrated their ability to support the territories through their significant contribution (EUR 500 million) to the national solidarity fund for businesses. In 2022, their accounts include inflation, both in terms of operations and investment, and remain focused on transport and education as a priority.
Operating income (EUR 30.1 billion) was up by 4.7%, i.e. a level close to that of expenditure. It benefits from an increase of almost 8% in their VAT fraction (two-thirds of taxation, EUR 15.8 billion) in connection with the economic recovery and above all the effects of inflation. With revenues remaining more dynamic than expenditure, gross savings grew by 5% to reach EUR 6.3 billion. The regions were thus the only level to maintain an increase in savings in 2022. Recourse to borrowing supported the rising investments and the net flow of debt corresponded to an increase in the outstanding debt of EUR 2.8 billion, i.e. an increase of 8.4%. The year-end debt therefore settled at EUR 35.7 billion.

Italy

Dexia Crédit Local's exposure to the Italian public sector amounted to EUR 6 billion as at 31 December 2022, of which the bulk is in Regions (53%) and Municipalities (31%).
The budgetary performance of Italian regions has generally returned to pre-pandemic levels, thanks to the strong support of the central government, but the forecast increase in operating costs will put some pressure on operating balances. Operating expenditure normalised at higher levels than before the pandemic in the short to medium term, reflecting the increasing resources devoted to improving health service delivery in each region.
The Italian government's reform package will not affect the fiscal performance of the regions, although it will change their funding sources. In particular, the 2022 tax reform includes income and corporation tax cuts which, according to the central government's forecasts, should be offset to the tune of EUR 8 billion per annum to ensure that the revenues of Italy's regions and local authorities are maintained by substituting current central government transfers for autonomous revenue sources.
Over the year 2022, for all local authorities, EUR 1.5 billion was allocated to increase the Local Public Transport Fund and provide additional resources to local authorities, to ensure the essential levels of nursery schools and for the maintenance of provincial roads.
For the municipalities specifically, an amount of approximately EUR 2.6 billion is planned for various measures. In addition, EUR 940 million is allocated to environmental policies in 2022 and also in 2023. This amount should gradually increase over the next few years.
For the provinces and metropolitan cities, EUR 4.3 billion is planned for extraordinary maintenance interventions, safety measures, new construction, increasing energy efficiency and internal wiring of schools. These resources are expected to be materially disbursed between 2024 and 2036.

Spain

Dexia Crédit Local's exposure to the Spanish public sector amounted to EUR 2.3 billion as at 31 December 2022, of which most in relation to Regions (68%) and Municipalities (21%).
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 2022 will result in the payment of EUR 31 billion from the Spanish State, mainly via the liquidity fund for the regions, and of EUR 1.5 billion from the European Union via the REACT-EU liquidity fund, which provides liquidity in the form of loans.
Dexia Crédit Local has a high exposure of EUR 1.1 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, i.e. EUR 13.3 billion through the Autonomous Communities Financing Fund in 2022 and EUR 4.7 billion planned for the first quarter of 2023.
Most of Dexia Crédit Local's clients in the municipal segment are in good financial health, with a low level of debt and a surplus cash position, with the exception of a few clients supported through State funds, such as the Economic Impulse Fund and the *Fondo de Ordenacion*, which allow the coverage of debt maturities. On the other hand, municipalities are allowed to use their surpluses to meet social needs arising from the health crisis and later from the war in Ukraine. In case of lack of liquidity, the municipalities benefit from cash lines from the Provinces *(Diputaciones)*, in the form of advances for tax collection.

United Kingdom

Dexia's exposure to UK local authorities amounted to EUR 5.2 billion in December 2022. Most of the portfolio is of very good credit quality. However, in recent years, the financial situation of British local authorities has weakened as a result of the health crisis and the deterioration of the economic situation in the United Kingdom.
UK local authorities are highly centralised. Their main sources of funding are council tax, retained business rates and government transfers, over which local authorities have little or no control.
In addition, over the last ten years successive governments have changed the way in which local authorities are funded, leading to a decline in government grants and an increase in the dependence of local authorities on locally generated revenue.
It is important to note that UK local authorities are required by law to have a balanced budget. If this is not the case, the Chief Financial Officer must issue a notice under section 114 of the Local Government Finance Act 1988 whereby all non-essential expenditure is suspended.
Therefore, given that the sector is highly centralised and strictly controlled by the government, the negative impact on the credit quality of the sector as a whole should remain limited.

United States

Dexia Crédit Local's exposure to the public sector in the United States amounted to EUR 1.1 billion as at 31 December 2022. The majority of local public sector exposure in the United States is to states (48%) and local governments (12%). 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 continued to receive significant federal support in 2022, resulting in improved finances.

As a consequence, the rating of the State of Illinois, on which Dexia Crédit Local's exposure amounted to EUR 0.5 billion as at 31 December 2022, has improved significantly. The main long-term challenge for the State remains the huge unfunded pension liability, which weighs heavily on the State's budget.

Dexia Crédit Local Group commitments to project finance and corporates

The project finance and corporate loan portfolio amounted to EUR 7.2 billion as at 31 December 2022, down by 38% compared to the end of 2021. This decrease was mainly due to the impact of rising interest rates on assets classified at fair value and, to a lesser extent, to asset sales and natural depreciation of the portfolio.

The portfolio consists of 58% project finance[1], with the remainder being corporate finance, such as acquisition finance, commercial transactions and corporate bonds.

The portfolio is of good quality: 80% of project finance and 99% of corporate finance are rated Investment grade (after taking into account the associated guarantees).

In terms of geographical spread, the UK accounts for approximately 50% of the project finance (PPP) and corporate (Utilities) portfolio. 97% of this exposure is investment grade.

The project and corporate finance sector is one of the sectors the activity of which was strongly impacted by the Covid-19 pandemic. Given the security and liquidity reserves included in project finance, the impacts of the pandemic were bearable in the short term. In 2022, the war in Ukraine and its consequences on energy prices are likely to slow down the expected beneficial effects of the end of the health crisis.

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 207 million). The sector was very strongly impacted by the health crisis. The recovery has begun even if traffic has not reached pre-Covid levels. A possible pass-through of the kerosene price increase on ticket prices could also slow down this recovery. Nevertheless, Dexia Crédit Local's counterparties seem to be able to cope with it. 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 1.3 billion, mainly in Europe. These counterparties generally benefit from reserve accounts allowing them to cover a half-yearly maturity, which in turn allows them to assume a strong decrease in traffic. Nevertheless, few counterparties in Dexia Crédit Local's portfolio have had to draw on reserve accounts to pay their debts. The available data concerning traffic show a satisfactory recovery, globally in line with expectations, but which remains dependent on the sanitary measures taken in each country and on the evolution of fuel prices.

Dexia Crédit Local Group commitments to ABS

As at 31 December 2022, Dexia Crédit Local's ABS portfolio amounted to EUR 1 billion, and 97.3% of the portfolio is rated Investment grade.

(1) Transactions without recourse to their sponsors the redemption of which is only on the basis of their own cash-flows and strongly secured in favour of the bank, for example via sureties on assets and contracts or a limitation of dividends.

Dexia Crédit Local Group commitments to financial institutions

Dexia Crédit Local's commitments to financial institutions amounted to EUR 4.3 billion as at 31 December 2022.

The large-scale financial sanctions against Russia have had an impact on the banking sector, forcing it to reduce its activities linked to that zone. For some banks, Russia and Ukraine represent a significant part of their profit growth, even though the sector had relatively little exposure to those countries. In addition, the rise in interest rates has helped to increase banks' revenues. However, even if in 2022 the credit quality of bank portfolios was rather stable, this rise in rates, combined with high inflation, could have a negative impact on claims. Uncertainties also persist regarding energy prices and disruptions in supply chains, leading to new risks for creditors of financial institutions worldwide.

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 2022, the exposure to monolines used for the calculation of risk weights amounted to EUR 1.1 billion. All the exposure is insured by monolines rated investment grade by at least one external rating agency. With the exception of one counterparty, all the monolines continue to honour their initial commitments.

Impairment on counterparty risk – Asset quality

ASSET QUALITY

(in EUR million)	31/12/2021	31/12/2022
Impaired assets[1]	576	502
Specific provisions[2]	164	166
o/w Stage 3	*157*	*160*
POCI	*6*	*6*
Coverage ratio[3]	28.4%	33.1%
Collective provisions	164	136
o/w Stage 1	*9*	*14*
o/w Stage 2	*155*	*122*

(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.

Impaired assets decreased from EUR 576 million as at 31 December 2021 to EUR 502 million as at 31 December 2022. Specific provisions amounted to EUR 166 million as at 31 December 2022, an increase of EUR 2 million compared to 31 December 2021. This increase is explained in particular by the increase in the provisioning rate of the Tunisian sovereign exposure from 51% to 56%.

As a consequence, the coverage ratio stood at 33.1% as at 31 December 2022, compared to 28.4% as at 31 December 2021.

As at 31 December 2022, collective provisions amounted to EUR 136 million, of which EUR 14 million in Stage 1 provisions and EUR 122 million in Stage 2 provisions. They decreased by EUR 28 million over the year. An amount of EUR +5 million is recorded in cost of risk and includes a charge of EUR -28 million related to the update of the macroeconomic scenario used for the assessment of expected credit losses under IFRS 9 and, in a conservative approach, incorporating the potential consequences of the conflict in Ukraine and of the increase in energy prices. It also includes a charge of EUR -17 million following the review of sensitive sectors, in particular the move to Stage 2 of exposures to the UK hospital sector, following the rise in sovereign borrowing rates and post-Brexit inflation, which could put pressure on the financial balances of the UK government and the health system. These negative amounts are largely offset by the effect of higher rates (EUR +20 million) and portfolio evolution (rating changes, disposals, natural depreciation) (EUR +32 million). An amount of EUR -25 million is related to the improvement of the quality of the data used for the assessment of the Significant Increase in Credit Risk (SICR) and is recorded in equity as an error correction.

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 2022, outstanding non-performing exposures represented EUR 396 million (against EUR 466 million as at 31 December 2021), corresponding to 35 counterparties. The decrease of EUR 69 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 2022, 74 counterparties were subject to Forbearance, for an outstanding amount of EUR 195 million.

Review of macroeconomic scenarios and sensitive sectors

Given the deterioration of the macroeconomic context in 2022, Dexia Crédit Local has changed the assumptions and estimates used to prepare its consolidated financial statements as at 31 December 2022. 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 in the context of IFRS 9.

Thus, for the preparation of the consolidated financial statements as at 31 December 2022, Dexia Crédit Local has retained a base case macroeconomic scenario based on the projections published by the European Central Bank (ECB) in December 2022 or by national supervisors (Federal Reserve, Bank of England, European countries, and so on) when available.

The ECB's central scenario foresees a short and shallow recession in early 2023. After this transition year, with weak growth of 0.5%, the ECB expects the economy to rebound with a real GDP growth rate of 1.9% in 2024 and 1.8% in 2025. The labour market is expected to remain relatively resilient to the mild recession. In the US, the central scenario projects real GDP growth of 0.5%, 1.6% and 1.8% for the years 2023, 2024 and 2025, respectively. In the UK, GDP continues to fall throughout 2023 and early 2024. In the central scenario, real GDP grows by -1.9%, 0.1% and 0.7% for the years 2023, 2024 and 2025, respectively.

Dexia Crédit Local considered this scenario too favourable against the background of persistent geopolitical and monetary pressures and supply chain disruptions, including energy supply cuts. Dexia Crédit Local therefore also considered the downside macroeconomic scenario of the ECB and other central banks. This downside scenario reflects a complete cut-off of Russian gas, higher commodity prices, high uncertainty, weaker trade and deteriorating financing conditions. In the ECB's downside scenario, real GDP in the euro area grows by -0.6%, 0.2% and 2.0% in the years 2023, 2024 and 2025, respectively. The rebound to 2% in 2025 would not compensate for the short-term development.

Given the uncertainty of the macroeconomic outlook, Dexia Crédit Local's management decided to consider, as a base case scenario for the calculation of provisions as at 31 December 2022, a combination of equal parts of the central scenario and the downside scenario of the ECB and other central banks.

The IFRS 9 approach also allows for macroeconomic uncertainty around the base case scenario (see accounting valuation rules). In this approach, a deviation of two standard deviations has been taken into account on the macroeconomic indicators for a projection horizon of 3 years. This deviation is calibrated by comparing the macroeconomic projections of past years with the macroeconomic developments actually observed. This results in the creation of an IFRS 9 multi-scenario add-on, which is applied in addition to the provisions calculated in the framework of the base case scenario.

Furthermore, Dexia Crédit Local pays particular attention to sensitive economic sectors, especially those sectors which are still impacted by the consequences of the health crisis and/or by the increase in energy prices since the beginning of the war in Ukraine. Thus, counterparties likely to be weakened by these crises are systematically classified in Stage 2 if they are not classified in Stage 3. In particular this concerns airports, French overseas communities, public transport, the tourism and entertainment sectors, waste management and traffic infrastructures at risk. The UK hospital sector is also concerned following the impacts of Brexit, rising sovereign borrowing rates and inflation which could put pressure on the financial balances of the government and the health system. All these sensitive sectors represent an exposure of EUR 9.4 billion out of a total of EUR 49 billion.

On a quarterly basis, Dexia Crédit Local also conducts an in-depth analysis of non-performing counterparties in order to estimate the consequences of a potential evolution of the macroeconmomic environment 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.

By virtue of the successful implementation of the simplification efforts undertaken, in particular on its derivatives portfolio, Dexia Crédit Local has reached the threshold allowing it to use the simplified approach within the framework of the prudent valuation. Consequently, since the first quarter of 2022, Dexia Crédit Local has used the simplified approach to determine the level of Prudent Valuation Adjustment (PVA) taken into account in the regulatory capital.

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 2022, total consumption in VaR was EUR 2.0 million against EUR 1.2 million at the end of 2021.

VALUE AT RISK OF THE TRADING PORTFOLIO

(in EUR million) **VaR (10 days, 99%)**	2021	2022
Average	1.1	1.9
End of period	1.2	2.0
Maximum	1.5	3.5
Minimum	0.9	0.9

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 to changes in the fair value of the assets concerned until they are disposed of. However, this sensitivity continued to fall during 2022 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 -0.7 million per basis point as at 31 December 2022 against EUR -1.1 million per basis point as at 31 December 2021. The portfolio classified at fair value through profit or loss had a sensitivity to an increase in credit spreads of EUR -0.6 million per basis point as at 31 December 2022 compared to EUR -1.1 million per basis point as at 31 December 2021. Of these assets classified at fair value through profit or loss, those not meeting the SPPI criterion had a lower sensitivity at EUR -0.4 million per basis point at the end of 2022 against EUR -0.7 million per basis point 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.

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 -40.8 million as at 31 December 2022, against EUR -39.6 million as at 31 December 2021. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2021	2022
Sensitivity	(39.6)	(40.8)
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 linked to the financing of foreign currency participations,
- elements likely 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, 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 maintains a liquidity buffer, consisting of deposits with central banks or bank counterparties and liquid assets on the repo market or obtained through reverse repo transactions, 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 of funding operations 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 information is shared with all the 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 2022, 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% for the Dexia Group (consolidated) and 154% 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 collection 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. Of all the operational incidents reported during the year, one incident with a material financial impact was noted in the second half of 2022. This incident was the subject of specific communications to the governance bodies and Supervision. An audit mission was conducted during the second half of 2022 and the control mechanisms were strengthened accordingly. In addition, a global follow-up of operational incidents in 2022 was carried out. Non-financial impacts were also measured, in particular the loss of man-days related to a limited number of incidents of connectivity to the information system.
- Risk & Control Self-Assessment (RCSA) (focus on Organisation / Critical Processes): in addition to the establishment of a loss history, a mapping of Dexia Crédit Local's exposure to the main risks is carried out regularly. In accordance with the prioritisation plan defined each year by the Operational Risk and Permanent Control department, the entities of the Dexia Crédit Local Group carry out risk self-assessment exercises, taking into account existing controls, and thus build up an overall view of operational risks in the different entities and activities, both in France and internationally. The overall mapping is presented to the Management Board. Risk mitigation actions can be defined if necessary. Finally, an RCSA specifically covering IT and Back-Office activities provided by Cognizant is conducted annually by the latter 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 deployed (focus on "Service provider / Service") and that a specific review of the anti-fraud system was conducted in 2022.
- Definition and monitoring of action plans: remedial actions are defined to avoid major incidents recurring, to correct deficient controls or to reduce important risks identified. Regular monitoring is carried out by the operational risk management

function. This process allows the internal control system to be constantly improved and risks to be reduced appropriately over time.

- Key Risk Indicators (KRI): KRI have been developed and enable the Risk Committee to monitor the evolution of the principal risks identified in the Risk Appetite Framework.
- IT security management: the IT security policy and the associated instructions, standards and practices are aimed at ensuring that Dexia Crédit Local's IT assets are secure.
- Business continuity management: all the activities take place in a secure environment. The business lines establish impact analyses for vital activities in the case of disaster or interruption. They define and then regularly update business continuity plans.

In accordance with the regulations, capital requirements for operational risk are calculated by Dexia Crédit Local according to the standard approach on the basis of positive net banking income (run rates) by activity.

However, Dexia Crédit Local's activity level is not directly relevant to reflect the level of operational risk in the Dexia Group's resolution situation, as run rates decrease faster than the risk level. Therefore, a buffer calibrated to the ICAAP operational risk constraints is added to the capital allocated for operational risk.

The amount of operational risk-weighted assets was updated in the fourth quarter of 2022 to take into account the loss history. It amounted to EUR 2.0 billion.

Management of operational risk during the resolution period

In 2022, 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 persons, a possible demotivation of staff or the modification of processing methods. 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 Dexia's Annual Report.

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 2022 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 compared with the results of the Value at Risk (VaR) approach to credit risk. Specific analyses of the sensitivity to environmental risks were also performed.
- Market stress tests highlighting potential events outside the probabilistic framework of VaR measurement techniques. They were divided into single risk factor tests, historical scenario tests and hypothetical scenario tests.
- Structural interest rate risk stress tests to measure the potential impact on Dexia Crédit Local's capital of a sudden and unexpected change in interest rates, thus meeting regulatory expectations.
- Liquidity stress tests to estimate additional liquidity needs in exceptional but plausible scenarios over multiple time horizons.
- Operational risk stress tests based on the analysis of the frequency and severity of operational incidents, complemented by "expert scenario" analyses covering IT, HR and outsourcing risks. These different categories of risk are managed within the 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 on 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.

In the specific context of 2022, taking into account the positive effect of vaccinations on the pandemic in combination with increased geopolitical and monetary pressures, specific scenarios have been applied. These stress tests take into account, among others, the severe macroeconomic scenario as published by the European Central Bank (ECB) and the national banks. The European Banking Authority (EBA) adverse scenario for 2022 was also assessed and combined with stagflation scenarios.

For the ICAAP and ILAAP stresses, Dexia Crédit Local performs at regular intervals a full review of its vulnerabilities to cover all material risks, linked 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

(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).

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 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 2022, based on end-2021 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 2022 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 2022, 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 2022.

As at 31 December	2018	2019	2020	2021	2022
Capital (in EUR)	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
Total number of shares	279,213,332	279,213,332	279,213,332	279,213,332	279,213,332
o/w Dexia	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*	*279,213,331*
o/w individual shareholders (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 with regard to solvency

Requirements 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) 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'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 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 one exposure.

Requirements for 2023

On 27 October 2022, the ACPR informed Dexia Crédit Local that the total capital requirement (excluding the capital conservation buffer) of 11.25% on a consolidated basis was maintained in 2023. 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% Common Equity Tier 1 capital and 75% Tier 1 capital.
Dexia Crédit Local is also required to hold a capital conservation buffer of 2.5%, entirely composed of Common Equity Tier 1 capital. Including the impact of the capital conservation buffer, the overall Dexia Crédit Local capital requirement amounts to 13.75% for 2023.
Moreover, the High Council for Financial Stability decided to raise the level of the countercyclical buffer to 0.5% as from 7 April 2023 and to 1% as from 2 January 2024. The Bank of England requires a countercyclical buffer level of 1% for the first two quarters of 2023 and 2% for the last two quarters of 2023. Consequently, Dexia Crédit Local's countercyclical buffer requirement is estimated at 0.6% until 7 April 2023, 0.7% between 7 April and 30 June 2023, and 1.25% for the last two quarters of 2023.

Finally, the ACPR recommends maintaining a level of additional capital (P2G - Pillar 2 Guidance) of 1%, which is added to the overall capital requirement and must be entirely composed of Common Equity Tier 1 capital.
Including the impact of the countercyclical buffer and the P2G, the overall Dexia Crédit Local capital requirement will amount to 16% as from 1 July 2023.
On 22 December 2022, the ACPR also confirmed that Dexia Crédit Local would maintain a tolerance in 2023 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.

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 50% in 2021 and 25% in 2022 (Static phase-in).
- Certain adjustments on subordinated and hybrid debt are taken into consideration in the calculation of capital to reflect the loss-absorption characteristics of these instruments.

As at 31 December 2022, the total capital of Dexia Crédit Local amounted to EUR 5.8 billion, against EUR 5.5 billion as at 31 December 2021.
Different 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 -74 million as at 31 December 2021, and was reduced to EUR -15 million as at 31 December 2022, due to the actions undertaken by Dexia Crédit Local to reduce its concentration risk,
- the amount of irrevocable payment undertakings (IPC) to the Single Resolution Fund 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 several recommendations. Consequently, Dexia Crédit local deducted from its prudential equity an amount of EUR -32 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 -7 million as at 31 December 2022, against EUR -173 million as at 31 December 2021, resulting from the use, since the first quarter of 2022, of the simplified method for this calculation[2].

PRUDENTIAL EQUITY

(in EUR million)	31/12/2021	31/12/2022
Total Capital	**5,545**	**5,802**
Common Equity Tier 1 Capital	**5,489**	**5,745**
Core shareholders' equity, of which:	5,823	5,916
Gains and losses on financial instruments directly recognised in equity, eligible at a prudential level	*(67)*	*(89)*
Translation differences – Group	*38*	*37*
Mitigation of the effect of the increase of expected credit losses following the application of IFRS 9 (50% in 2021 and 25% in 2022) (Static phase-in)	88	44
Temporary regulatory capital neutralisation of changes in the fair value of certain sovereign and public sector assets classified at fair value through equity	0	(8)
Items to be deducted		
Intangible assets and goodwill	*(7)*	*(4)*
Debit valuation adjustment	*(37)*	*(23)*
Prudent Valuation	*(173)*	*(7)*
Deduction of irrevocable payment commitments to resolution funds and other guarantee funds	*(68)*	*(79)*
Assets from defined benefit pension funds	*(1)*	*(2)*
Deduction for persistent breaches of large exposure constraint	*(74)*	*(15)*
Additional prudential provisions	*(34)*	*(32)*
Additional Tier 1 capital (hybrid)	**5**	**0**
Subordinated debt	5	0
Additional Tier 2 Capital	**51**	**56**
Subordinated debt	51	56
Of which additional Tier 1 reclassified (hybrid)	*51*	*56*

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

(2) Thanks to the successful implementation of the simplification efforts undertaken, in particular on its derivatives portfolio, Dexia has reached the threshold allowing it to use the simplified approach in the context of the prudent valuation.

The Debit Valuation Adjustment (DVA) amounted to EUR -23 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 EUR +44 million as at 31 December 2022, compared to EUR +88 million at the end of 2021.

No hybrid debt repurchase was carried out during 2022, in line with the ban imposed by the European Commission and communicated by Dexia on 24 January 2014[1]. The Group's hybrid Tier 1 capital is therefore composed of EUR 56.25 million nominal value of perpetual non-cumulative securities issued by Dexia Crédit Local (FR0010251421) and listed on the Luxembourg Stock Exchange. These hybrid Tier 1 securities are no longer eligible as additional Tier 1 capital and are fully reclassified as Tier 2 capital.
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 2022, risk-weighted assets amounted to EUR 16.3 billion against EUR 20.1 billion at the end of December 2021, of which EUR 13.3 billion for credit risk, EUR 971 million for market risk and EUR 2 billion for operational risk. The EUR 5.2 billion decrease in credit risk, due to favourable developments in fair value items and, to a lesser extent, to the reduction of the asset portfolio, is partly offset by a sharp increase in operational risk-weighted assets to EUR 2 billion as a result of an operational incident in the second half of 2022, the consequences of which are fully under control.

RISK-WEIGHTED ASSETS

(in EUR million)	31/12/2021	31/12/2022
Credit risk	18,529	13,296
Market risk	986	971
Operational risk	600	2 000
Total	20,115	16,267

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

Solvency ratios

Dexia Crédit Local's Common Equity Tier 1 ratio was 35.3%[2] as at 31 December 2022, compared to 27.3% at the end of 2021. The Total Capital Ratio amounted to 35.7%[2], against 27.6% at the end of 2021, a level much higher than the minimum required for the year 2022 by the Supervisory Review and Evaluation Process (SREP).

SOLVENCY RATIOS

	31/12/2021	31/12/2022
Common Equity Tier 1 Ratio	27.3%	35.3%[1]
Total Capital Ratio	27.6%	35.7%[1]

(1) The ratio includes the positive net result of the year.

Liquidity management

The rise of interest rates, which began in 2021, continued in 2022 with positive consequences for Dexia Crédit Local. Indeed, the net cash collateral posted by the bank to its derivative counterparties showed a strong decrease of EUR 10.7 billion over the year and stood at EUR 8.3 billion as at 31 December 2022. Combined with the reduction of portfolios, this resulted in a significant decrease of EUR 16.8 billion in the funding requirement over the year, to EUR 44.8 billion as at 31 December 2022. Given this favourable development, Dexia Crédit Local'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 5.5 billion as at 31 December 2022 and State-guaranteed funding represented 84% of outstanding funding, or EUR 37.6 billion. Dexia Crédit Local's liquidity reserve amounted to EUR 10.8 billion, of which EUR 3.6 billion in cash. The bank 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. Moreover, in the second half of 2022, Dexia Crédit Local transformed part of its cash reserve into eligible securities via reverse repos activity, with a view to optimising costs in a context of rising interest rates.

(2) The ratio includes the positive net result of the year.

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 meetings and information packages prepared for any advisory and decision-taking bodies. The Dexia Group Internal Audit department has access to all the information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, if relevant, the Audit Committee.
- The provision of the means necessary to perform its task: Internal Audit receives from the Group's Management Board the means necessary to perform its task so as to respond constantly to changes in the Group's structures and environment.

At an individual level, each auditor must show the greatest professionalism and have ongoing training to ensure their mastery of the rapid changes to audit, banking, financial and IT techniques and those for combating fraud. Training needs are assessed in periodic and annual assessments. Statutory Auditors are required to comply with the Dexia Group's rules of professional ethics, as well as those specific to their profession. This means observance of the following fundamental principles:

- Integrity: the integrity of internal auditors is the basis for confidence in and the credibility of their judgement
- Objectivity: auditors must show the highest degree of professional objectivity in collecting, assessing and communicating information relating to the activity or process examined. Internal auditors fairly assess all the relevant elements and are not influenced in their judgement by their own interests or those of others.
- Confidentiality: internal auditors have a duty of professional secrecy; they respect the value and ownership of the information they receive and only disclose this information with the required authorisations, unless a legal or professional obligation forces them to do so.
- Competence: internal auditors use and apply the knowledge, know-how and experience required for the performance of their tasks.

Scope for intervention

All the Dexia Group's activities, processes, systems and entities are within the scope of action for Internal Audit, without any reservations or exceptions. The scope includes all processes, whether operational, support, management, corporate governance and risk management and control processes. Outsourced essential activities also fall within the audit scope, given that operational services are responsible for organising the conditions for the possibility of audits by including audit clauses in service agreements.

Organisation of the function

Principles

The Dexia Group Internal Audit function operates as an integrated support line composed of the Audit department of Dexia Crédit Local and of Dexia Crediop.

The activity line is headed by the General Auditor of Dexia Crédit Local, who reports to the Chief Executive Officer of Dexia Crédit Local. The General Auditor guarantees the appropriate cover of risks throughout the Group as a whole. He monitors the supervisory bodies of the entities, as well as all the tasks performed by the local banking 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 department of Dexia Crediop reports hierarchically to the General Auditor of Dexia Crédit Local, who is responsible, in association with the Chief Executive Officer of Crediop, for setting the targets of the auditors and their annual assessment, as well as the establishment of the recruitment plans and of the budget.
The General Auditor attends meetings of the Management Board (i) when the Management Board 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. He has direct access to the Chairman of the Board of Directors, to members of the Audit Committee and the statutory auditors of the entities.
The Chairman of the Board of Directors 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 Crédit Local is responsible for:
• the audit strategy and its proper implementation in the entire Dexia Group;
• 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.

Relations with the supervisory authorities

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 2022

In 2022, Internal Audit's assignments covered all of the Group's business lines, as illustrated below: Assets (“Customer swaps”), Funding and Markets (“ILAAP”, “Reform of Monetary Indices”), Risk (“Disaster Recovery Plan”), Finance (“Anti-Fraud Review”), Secretary General (“AML Compliance”), Operations and IT Systems (Back-up and Archiving”). Particular attention is also paid to major transformation projects in progress (Exit from Target II. Strategic Project Monitoring).

The Compliance function

The Compliance function is an independent function within Dexia Crédit Local. It carries out its activities without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality and its objectivity.
The Compliance function is an integral part of the internal audit mechanism of credit institutions and investment companies, as a second line of defence against the risks they face.
The Compliance function focuses on reviewing and improving compliance with rules relating to the integrity of operations and the control of the risks of non-compliance within Dexia Crédit Local. The fields of competence of the Compliance function 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;
• management framework of outsourced activities;
• data protection;
• confidentiality and professional secrecy;
• prevention of conflicts of interests;
• external mandates;
• independence of the statutory auditors;
• the principles stated by remuneration policy regarding the rules of good conduct and conflicts of interests of the MIF 2 Regulation;
• legal requirements with regard to the expertise and professional honour of members of the Management Board, directors, heads of independent audit functions;
• 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 matters within its competence, in order to anticipate and assess possible consequences on the activities of Dexia and Dexia Crédit Local. It provides a correct interpretation of national and international legislation and regulations and ensures that these provisions are included in the policies, procedures and other documents of the institution;
• It identifies, analyses and measures non-compliance and reputation risks which might arise from activities and financial products and the impacts in terms of evolution of the Group’s scope;
• It provides assistance to business lines in the development and implementation of compliance procedures and other documents. For example, it helps with the drafting of compliance manuals, internal codes of conduct and practical guides in order to ensure compliance with regulations and external or internal norms;
• By means of checks and recommendations, it ensures that legal and/or regulatory compliance obligations are fulfilled and that measures are taken to remedy any shortcomings observed;
• It develops and provides compliance training programmes, dedicated to new arrivals or 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;
• At its own discretion, it investigates any significant incidents or breaches of compliance obligations;
• 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 draws up an annual action plan which includes a statement of the human resources (number of people and skills) and material resources required;

• 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 reports to the Secretary General. In view of his role as head of the compliance function on the one hand, and in accordance with supervisory expectations regarding the monitoring of anti-money laundering policy and requirements on the other hand, the Chief Compliance Officer also reports to the Chief Risk Officer. 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 contact the Chairman of the Board of Directors directly or the chairmen of specialised committees, the auditors or the supervisory authorities when he/she deems it necessary to do so.
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 and hierarchically to a member of the effective management of their entity.

Charter

The role, status and fields of competence of the Compliance function and the guidelines underlying the approach adopted in matters of compliance by Dexia Crédit Local are included in the Compliance Charter, updated periodically, in order to reflect any legal, regulatory or internal governance development.
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.
The activity of the Permanent Control Department is based on a control plan consisting of selected first-level controls and second-level controls. The plan covers the head office processes, the entities and the main critical or important outsourced services. The first-level controls in this plan are proposed by the network of correspondents deployed within the operational units, activity lines, entities and service providers. They are reviewed by the Permanent Control department, which may, if necessary, play a prescriptive role. Permanent Control also designs second-level controls which it then carries out. The review of the permanent control plan is determined on the basis of the mapping of processes, the analysis of the corresponding operational risks, the operational incidents collected, and the recommendations of the internal audit, the statutory auditors and the supervisors.
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. Thus, in 2022, the Accounting and Regulatory Control function of the Finance activity line continued to implement its control plan, which includes recurring closing work (on the statutory financial statements, consolidated financial statements and regulatory statements), reviews of accounting and regulatory processes, as well as the control of exceptional transactions and projects.
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 centralises the result of the second level controls performed by other independent control functions. The Permanent Control department and the other specialised 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 Commitee 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 2022 fiscal year, the Audit Committee implemented at Dexia level was delegated to assist the Board of Directors in carrying out its oversight of the management of Dexia Crédit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and is also responsible for managing relationships with the Statutory Auditors.
In accordance with the recommendations of the AMF, as part of its responsibilities, the Audit Committee:
• Analyses financial information, accounting procedures and compliance with legal, regulatory and statutory requirements;

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

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 service relate to the elimination of reciprocal accounts and intragroup transactions (such as acquisitions/asset disposals and dividends). They also deal with the treatment of companies held by different Group entities.

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

Some of the notes and appendices to the consolidated financial statements are not drawn up directly by the Financial Control department, but come from the following departments, such as Financial Strategy, the Risk activity line, the Secretary General, 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 account data in relation to management parameters, are provided by the Financial Controlling department.

These indicators are elaborated on the basis of information processed directly from local IT systems, and those of international entities. It is summarised monthly in a report to the Dexia Management Board.

In the French and foreign entities with their own management control team, the monitoring of financial indicators and the analysis of results are guided locally in accordance with the same standards and the same principles, depending on the size, organisation and systems of each entity. These instructions are common throughout the Dexia Group.

The whole is guided, monitored and supervised by the Financial Controlling department, which provides all the entities with standardised and secure collection tools, to make reliable and to optimise the information collection mechanism. Finally, the department aggregates everything.

The information aggregation process is performed in parallel with the consolidation process guided by the accounting functions. At each stage of the establishment of consolidated data, consistency controls are performed, based on the reconciliation of analytical and accounting information. This reconciliation is a vital element of internal control. It is completed by a systematic analytical review of the principal items.

Risk inventory

Banking activity generates four major types of risks: credit risk, market risk, transformation risk and operational risk (including legal risk).

The monitoring of all of these risks is detailed in the chapter entitled "Risk Management" in this Annual Report.

External control

Statutory auditors

The statutory auditors make regular checks on the financial reporting of the various entities and subsidiaries of the Dexia Group.

They are involved with the entire process of checking the financial and accounting information with a concern for efficiency and transparency. As part of their duties, they analyse the accounting procedures and assess the internal control systems necessary for reliably establishing the financial statements. They issue instructions to the statutory auditors of the entities and ensure their work is centralised. They organise summary meetings on the results of their audits and assess the interpretation of standards. Lastly, they check the consistency of accounting information between the management report and the financial statements. The performance of these duties enables them to obtain reasonable assurance that, considering the legal and regulatory provisions governing them, the annual financial statements give a true picture of the assets, financial position and results of the company and that the information given in the notes is appropriate. They issue an opinion on the Group's statutory and consolidated financial statements.

By virtue of Article 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 renewal of the mandates of the principal statutory auditors and the substitute statutory auditors will be proposed at the shareholders' meeting to be 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 2022 for Dexia Crédit Local[(1)].

Remuneration of Statutory Auditors for 2022

(in thousands of EUR)	Mazars	Deloitte
Certification of statutory and consolidated financial statements – Dexia Crédit Local in Paris	1,093	1,088
Certification of statutory and consolidated financial statements – Other entities	258	80
Other services	131	131

(1) Services provided for the Dexia Crédit Local Group (consolidated amounts).

2022

Declaration of corporate governance

Declaration of corporate governance

Reference code

Since 10 October 2012, Dexia and its main subsidiary Dexia Crédit Local have had an integrated executive management team adapted to the Dexia Group's size and particularities. Although separate legal structures have been maintained, the management of the Dexia Group has been unified, in particular through the joint management of the two main entities, Dexia and Dexia Crédit Local.
Dexia Crédit Local is a limited company under French law and a credit institution. As such, it is subject to the provisions of the French Commercial Code, the French Monetary and Financial Code, the general regulations of the Financial Markets Authority and certain directly applicable European regulations.

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 2023, 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 2023, 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 Guidi, Executive Vice-President,
- Anne Blondy-Touret, Director,
- Aline Bec, Director,
- Bart Bronselaer, Director,
- Alexandra Serizay, Director,
- The French State represented by Ludovic Planté, Director,
- Alexandre De Geest, Director,
- Thierry Francq, Director,
- Michel Tison, Director,
- Koen Van Loo, Director,
- Tamar Joulia-Paris, Director,
- Véronique Tai, Director.

The representatives of the Works Council are:
Mr Patrick Weiss
Mr Yohann Le Chaix, Deputy

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, training and experience, in order to ensure that, together and individually the members of the management bodies have the knowledge and skills necessary for an understanding of Dexia Crédit Local's activities and the issues facing the Dexia 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 and L. 225-1861 of the Commercial Code, according to which the Board must be composed with a balanced representation of women and men and the proportion of directors of each gender may not be less than 40%, 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 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 and to members of the Management Board.
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 lines for improvement and additional skills which might be strengthened on the appointment of new members is also drawn up.

Operation

In accordance with its obligations under CRD governance, the guidelines of the European Banking Authority, and the 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 2022, it met fifteen 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:
• Impact of the conflict between Russia and Ukraine
• Negotiation with a view to the sale of the Italian subsidiary Dexia Crediop
• Study on climate and environmental risks
• Contribution to the Single Resolution Fund
• Outsourcing of the credit back office activities
• Restructuring in the United States
• 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 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, AML
- Index of professional equality between men and women
- Derivatives action plan
- Governance: Board succession plan, appointment, resignation and reappointment of directors, and self-assessment exercise of the Board of Directors and the specialised committees.

Specialised committees

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

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

The Audit Committee

The Audit Committee, established at Dexia Board of Directors level and competent for Dexia Crédit Local, met nine times in 2022.
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 2023 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 nine times in 2022.
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 2023 is as follows:
- Bart Bronselaer, director and chairman of the committee,
- Anne Blondy-Touret, 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 eight times in 2022.
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 three times in 2022.
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 2023 is as follows:
- Michel Tison, independent director and chairman of the committee,
- Gilles Denoyel, independent director,
- Ludovic Planté, representing the French State, 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 2022.
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 2023 is as follows:
• Gilles Denoyel, independent director and chairman of the committee,
• Thierry Francq, director,
• Koen Van Loo, director,
• Michel Tison, independent director.
The Appointments Committee prepares decisions of the Board of Directors relating to:
• proposals for the appointment or renewal of directors by the Board of Directors to the shareholders' meeting, and proposals to co-opt directors. On the renewal of a director's mandate, the Appointments Committee assesses the director's participation in the operation of the Board of Directors and reports with a recommendation. For any new appointment, before considering the approval of the candidature, it ensures that the Board of Directors has, in accordance with internal procedures, received sufficient information on the candidate enabling it to assess whether that candidature meets the general profile of directors and the required skills;
• determination of independence criteria enabling a director to be considered "independent";
• the qualification of an existing or new member of the Board of Directors as an independent director.

In general, the Committee ensures that decision-making within the Board of Directors is not carried out by one or more persons in a manner prejudicial to the company.
Within the scope of its duties, the Committee adheres to the recommendations, circulars and other international, French and Belgian regulations on remuneration and corporate governance.

The Management Board

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

As at 31 March 2023, the Management Board is composed as follows:
• Pierre Crevits, Chief Executive Officer;
• Véronique Hugues, Executive Vice-President and Chief Financial Officer;
• Giovanni Albanese Guidi, 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 2022

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 a variable fee linked to attendance at meetings.
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 Crédit Local Board, EUR 1,000 for meetings of the Board of Directors of Dexia SA organised at the same time as the Board of Dexia Crédit Local (or not at the same time but with a similar agenda). Meetings lasting less than one hour are not remunerated. Meetings of the Audit Committee and the Risk Committee as well as joint Audit and Risk Committee meetings are remunerated at EUR 1,000. 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). Meetings of the Appointments Committee and the Remuneration Committee are remunerated at EUR 750 (including the Chairmen).

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 198,268: EUR 54,500 in the form of attendance fees (of which EUR 38,000 paid by Dexia Crédit Local and EUR 16,500 paid by Dexia) and EUR 143,768 assimilated to salary (of which EUR 68,000 paid by Dexia Crédit Local and EUR 75,768 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.

Remuneration paid to the Management Board in 2022

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.

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. 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.

Number of meetings and remuneration paid to non-executive directors in 2022

	Dexia Crédit Local Board (15 meetings of which 13 remunerated)	Dexia Board (14 meetings of which 12 remunerated)	Risk Committee (9 meetings)	Audit Committee (9 meetings)	Joint Risk and Audit Committees (8 meetings)	Appointments Committee (4 meetings of which 3 remunerated)	Remuneration Committee (3 meetings)	Total Dexia (gross amount in EUR)	Total Dexia Crédit Local (gross amount in EUR)	Overall Total (gross amount in EUR)
Gilles Denoyel(1)	14	13	N/A	N/A	N/A	4 (2)	3	92,268	106,000	198,268
Tamar Joulia-Paris	15	14	9	9	8	N/A	N/A	38,000	38,000	76,000
Bart Bronselaer	15	14	9 (2)	9	8	N/A	N/A	42,500	38,000	80,500
Alexandra Serizay	15	12	N/A	9 (2)	8 (2)	N/A	N/A	37,500	38,000	75,500
Michel Tison	15	14	N/A	9	8	3	3 (2)	32,750	38,000	70,750
Alexandre De Geest	13	12	9	N/A	8	N/A	3	31,250	38,000	69,250
Thierry Francq(5)	12	11	N/A	6	5	3	3	22,250	32,000	54,250
Koen Van Loo	14	13	N/A	N/A	N/A	4	N/A	13,250	36,000	49,250
Marie-Anne Barbat-Layani(3)(4)	6	7	4	N/A	5	N/A	N/A	15,000	19,000	34,000
Claire Vernet-Garnier(4)(6)	10	11	N/A	N/A	N/A	N/A	3	12,250	30,000	42,250
Aline Bec	15	N/A	N/A	N/A	N/A	N/A	N/A	N/A	38,000	38,000
Véronique Tai	14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36,000	36,000

(1) Chairman of the Board of Directors. The remuneration of the Chairman is composed of EUR 54,000 in the form of attendance fees (of which EUR 38,000 paid by Dexia Crédit Local and EUR 16,500 paid by Dexia) and EUR 143,768 assimilated to salary (of which EUR 68,000 paid by Dexia Crédit Local and EUR 75,768 paid by Dexia).
(2) Chairman of the Board as at 31 December.
(3) Resigned on 24 October 2022.
(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% for the French Treasury and 85% to Mr. Th. Francq.
(6) Resigned on 15 November 2022.

Composition of 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 2022 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 2022

The basic remuneration only consists of a fixed part.

(in EUR)	Entity – Country	Gross basic remuneration
Pierre Crevits	Dexia – Belgium	600,000
Giovanni Albanese Guidi	Dexia Crédit Local – France	465,044
Benoît Debroise	Dexia Crédit Local – France	407,379
Véronique Hugues	Dexia Crédit Local – France	450,000
Patrick Renouvin	Dexia Crédit Local – France	450,000
Pascal Gilliard	Dexia – Belgium	420,000

Supplementary pension schemes

The CEO and the Executive Vice-Presidents who do not perform their function within the framework of a French contract (in Belgium) 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%).

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

Annual premiums of EUR 211,866 were paid in 2022. Obligatory contributions paid to pension funds, particularly for French Executive Vice-Presidents, need not be indicated in the table below.

(1) Defined contribution schemes.

(in EUR)	Entity – Country	Supplementary pension schemes
Pierre Crevits	Dexia – Belgium	124,757
Giovanni Albanese Guidi	Dexia Crédit Local – France	-
Benoît Debroise	Dexia Crédit Local – France	
Véronique Hugues	Dexia Crédit Local – France	
Patrick Renouvin	Dexia Crédit Local – France	
Pascal Gilliard	Dexia – Belgium	87,109

Supplementary death cover, permanent invalidity and medical costs

Collective annual premiums of EUR 107,745 were paid in 2022 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), 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	35,285	16,360	582
Giovanni Albanese Guidi(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
Pascal Gilliard	Dexia – Belgium	18,866	10,282	582

(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 – Belgique	8,988	180	12,203
Giovanni Albanese Guidi	Dexia Crédit Local – France	-	-	2,906
Benoît Debroise	Dexia Crédit Local – France	-	-	4,355
Véronique Hugues	Dexia Crédit Local – France	-	-	-
Patrick Renouvin	Dexia Crédit Local – France	-	-	4,418
Pascal Gilliard	Dexia – Belgique	3,660	180	3,268

(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.

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 2022

There was no departure during the year 2022.

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 2022 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	
17	4,010,480	417,338	-				-

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 of Dexia (executive)
• Chairman of the Board of Directors of Namur Invest SA

Mr Giovanni Albanese Guidi
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 Anne Blondy-Touret
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
• Non-executive director of Dexia
• Independent director of United Pensions OFP
• Director of MeDirect

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

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
• Director of PartnerRe of the Covea Group
• Chairman of the Board of Directors of Covea Insurance PLC
• Chairman of the Board of Directors of the CSE subsidiary of the Covea Group

Mr Michel Tison
Professional address: Universiteitstraat 4 - 9000 Gand (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, boîte 4 - 1050 Bruxelles (Belgium)
26 August 1972
• Non-executive director of Dexia
• CEO of the Federal Holding and Investment Company (FHIC)
• Director of Relaunch for the Future,
• Member of the Advisory Committee of Tara India Fund
• Member of the Advisory Committee of CIM Capital Restructuring Fund, China
• Director of Belgium Technology Innovative Industry Fund
• Director of Capricorn Fusion
• Chairman of the Board of Directors of Certi-Fed SA
• Director of Sinnolabs Hong Kong Ltd,
• Director of Thaumas NV
• Director of Euroports Group BV

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• Director of the Belgian Corporation for International Investment (Société Belge d'Investissement International)

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 Group Tech & Services of Sodexo
• Director of Cofiroute (Vinci Autoroutes Group)
• Director of AFS (Vinci Autoroutes Group)

The French State represented by Ludovic Planté
Professional address: 139, Rue de Bercy - 75572 Paris cedex 12
10 February 1984
• Non-executive director of Dexia
• Deputy Director of Holdings of the State Shareholding Agency (*Agence des participations de l'État – APE*) (France)
• Director of Semmaris SA
• Director of the IN Group
• Director of France Médias Monde
• Director of Radio France SA

Mrs Véronique Tai
Professional address: Rue de la Loi 24 - 1000 Bruxelles (Belgium)
20 June 1968
• Observer within the Board of Directors of Dexia
• Member of the Board of Directors of FSFPIM RE SA (subsidiary of the FHIC).
• Member of the Board of Directors of Inclusio

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
• Director of Degroof Petercam and DPAM

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]. In 2011, through Dexia Crédit Local New York (DCLNY), FSAM sold 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 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. In an agreement entered into in May 2022, FSAM and Assured Guaranty Municipal corp (AGM and 'previously named' Financial Security Assurance Inc) confirmed that the States' guarantee has been irrevocably released and that the States no longer have any liability in this respect.
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 (now Belfius), Dexia FP Holdings Inc., FSA Asset Management LLC, FSA Portfolio Asset Limited, FSA Capital

(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).

Markets Services LLC, FSA Capital Management Services LLC, and The Bank of New York Mellon Trust Company, National Association as Collateral Agent.

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 Dexia, DCL 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 2022, 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 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 2022 as presented to it, with all the operations reflected in these accounts or mentioned in the said reports, and showing a profit of EUR 532,586,030.

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 47,016.77.

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 2022 as presented to it, together with all the transactions reflected in these financial statements or referred to in the said reports, and showing a net income, group share, of EUR 59,306,068.

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 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 2022.

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 2022.

Proposal to allocate the result

The ordinary shareholders' meeting decides to allocate the entire profit for the financial year of EUR 532,586,030 to the retained earnings account.
After this allocation, the retained earnings account will be positive by EUR 1,231,576,769.29.
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 2022 are certified by the Statutory Auditors:
- Mrs Virginie Chauvin and Mrs Laurence Karagulian, partners representing the company Mazars, on the one hand, and
- Mrs Charlotte Vandeputte, 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 2022, which amounts to EUR 7,220,242 (fixed remuneration and any bonuses).
This envelope covers the remuneration paid in 2022 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 appoint Mrs Anne Blondy-Touret as director

The ordinary shareholders' meeting decides, in accordance with the provisions of Article L.225-18 of the Commercial Code, to appoint as director Mrs Anne Blondy-Touret, of French nationality and domiciled at 64 Rue Claude Bernard, 75004 Paris, with effect from the end of the shareholders' meeting, to replace Mrs Marie-Anne Barbat-Layani, who has resigned, for the remainder of her term of office, i.e. until the ordinary shareholders' meeting to be held in 2025 and called to rule on the financial statements for the financial year ending on 31 December 2024.

Proposal to renew the term of office of Mrs Véronique Hugues as 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 Mrs Véronique Hugues, of French nationality and domiciled at 3 Rue Jacques Offenbach, 75016 Paris, which is due to expire, and this until the ordinary shareholders' meeting to be held in 2027 and called to rule on the financial statements for the financial year ending on 31 December 2026.

Proposal to renew the term of office of Mrs Tamar Joulia-Paris as 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 Mrs Tamar Joulia-Paris, of Belgian nationality and domiciled at 25 Avenue des Statutaires, 1180 Uccle (Belgium), which is due to expire, and this until the ordinary shareholders' meeting to be held in 2027 and called to rule on the financial statements for the financial year ending on 31 December 2026.

Proposal to renew the term of office of Mr Michel Tison as 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 Michel Tison, of Belgian nationality and domiciled at 23 Frans Spaestraat, 9000 Gent (Belgium), which is due to expire, and this until the ordinary shareholders' meeting to be held in 2027 and called to rule on the financial statements for the financial year ending on 31 December 2026.

Proposal to renew the term of office of Mr Koenraad Van Loo as 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 Koenraad Van Loo, of Belgian nationality and domiciled at Roeselbergdal 9, 3012 Wilsele (Belgium), which is due to expire, and this until the ordinary shareholders' meeting to be held in 2027 and called to rule on the financial statements for the financial year ending on 31 December 2026.

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.

Statutory Auditors' special report on regulated agreements

Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2022

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.

To the shareholders,

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 Shareholder's Meeting

Agreements authorized and entered into during the year

a) Agreements submitted to the approval of the Shareholders' Meeting

Pursuant to Article L. 225-40 of the French Commercial Code, we hereby inform you that we have not been advised of any agreements authorized and entered into during the past fiscal year that should be submitted to the approval of the Shareholders' Meeting.

Agreements previously approved by Shareholder's 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

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 of December 31, 2022, the assets concerned totaled EUR 7.9 billion and comprised:

- EUR 7.4 billion of DCL receivables;
- EUR 468 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

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.

The cost of the guarantee for 2022 is calculated based on Amendment No. 2 to the Guarantee Agreement (see next paragraph).

Your Board of Directors authorized this agreement on December 19, 2012.

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

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 intraday 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).

As of December 31, 2022 the cost of the guarantee for DCL amounted to EUR 21.5 million and the cost of the conditional deferred commission amounted to EUR 3,5 million.

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

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 2022.

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

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 2022.

Paris la Défense, April 19, 2023

The Statutory Auditors

MAZARS — DELOITTE & ASSOCIÉS

Laurence KARAGULIAN — Virginie CHAUVIN — Charlotte VANDEPUTTE

2022

Consolidated Financial Statements
as at 31 December 2022

Consolidated balance sheet

ASSETS (in EUR million)	**Note**	**31/12/2021**	**31/12/2022**
Cash and central banks	2.2	9,753	2,024
Financial assets at fair value through profit or loss	2.3 & 4.1	9,280	3,497
Hedging derivatives	4.1	662	1,759
Financial assets at fair value through other comprehensive income	2.4	1,902	1,581
Financial assets at amortised cost - Debt securities	2.5	34,553	26,774
Financial assets at amortised cost - Interbank loans and advances	2.6	17,306	6,881
Financial assets at amortised cost - Customer loans and advances	2.7	23,860	20,734
Fair value revaluation of portfolio hedges		298	(116)
Current tax assets		27	6
Accruals and other assets	2.8	118	282
Tangible fixed assets	2.9	20	16
Intangible assets	2.10	7	4
TOTAL ASSETS		**97,786**	**63,442**

The notes on pages 64 to 135 are integral part of these consolidated financial statements.

LIABILITIES (in EUR million)	**Note**	**31/12/2021**	**31/12/2022**
Financial liabilities at fair value through profit or loss	3.1 & 4.1	10,116	4,126
Hedging derivatives	4.1	16,714	8,352
Interbank borrowings and deposits	3.2	6,656	3,149
Customer borrowings and deposits	3.3	8,819	4,765
Debt securities	3.4	49,406	36,690
Fair value revaluation of portfolio hedges		1	(2)
Current tax liabilities		1	2
Deferred tax liabilities	4.2	83	89
Accruals and other liabilities	3.5	255	387
Provisions	3.6	87	41
Subordinated debt	3.7	20	23
TOTAL LIABILITIES		**92,158**	**57,622**
Equity	3.8	**5,628**	**5,820**
Equity, Group share		5,628	5,820
Capital stock and related reserves		2,465	2,465
Consolidated reserves		3,691	3,448
Gains and losses directly recognised in equity		(251)	(152)
Net result of the period		(277)	59
TOTAL LIABILITIES AND EQUITY		**97,786**	**63,442**

The notes on pages 64 to 135 are integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)	Note	31/12/2021	31/12/2022
Interest income	5.1	2,289	2,680
Interest expense	5.1	(2,230)	(2,620)
Commission income	5.2	6	5
Commission expense	5.2	(16)	(16)
Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(70)	346
Net gains (losses) on financial instruments measured at fair value through other comprehensive income	5.4	(51)	(6)
Net gains (losses) arising on derecognition of financial assets measured at amortised cost	5.5	(10)	(43)
Other income	5.6	58	60
Other expenses	5.7	(52)	(36)
NET BANKING INCOME		**(76)**	**371**
Operating expenses	5.8	(257)	(276)
Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.9	(19)	(10)
GROSS OPERATING INCOME		**(352)**	**85**
Cost of credit risk	5.10	130	(3)
OPERATING INCOME		**(222)**	**82**
NET RESULT BEFORE TAX		**(222)**	**82**
Income tax	5.11	(55)	(23)
NET INCOME		**(277)**	**59**
NET INCOME, GROUP SHARE		**(277)**	**59**

The notes on page 64 to 135 are integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR million)	31/12/2021	31/12/2022
NET INCOME	**(277)**	**59**
Elements reclassified or likely to be subsequently reclassified in net income		
Cumulative translation adjustments	0	(1)
Changes in fair value of debt instruments at fair value through other comprehensive income	81	(16)
Revaluation of hedging derivatives	135	123
Elements that will never be reclassified or likely to be subsequently reclassified in net income		
Own credit risk revaluation directly recognised in equity for the financial liabilities designated at fair value through profit or loss (FVTPL)	0	2
Transfer within consolidated reserves of own credit risk amounts related to financial liabilities designated at fair value through profit or loss, upon their derecognition	(3)	(3)
Reevaluation directly recognised in equity of equity instruments at fair value through other comprehensive income	(3)	(8)
Transfer within consolidated reserves of reevaluation of equity instruments at fair value through other comrehensive income, upon their derecognition	(2)	0
Tax (expense) benefit	1	2
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**209**	**99**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(68)**	**158**
of which, Group share	(68)	158

The notes on pages 64 to 135 are integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves			Consolidated reserves	Gains and losses directly recognised in equity							Net income, Group share	EQUITY, GROUP SHARE	EQUITY
	Capital stock	Related reserves	Total		Change in fair value of debt instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of equity instruments measured at fair value through other comprehensive income, net of taxes	Change in fair value of cash flow hedges, net of taxes	Actuarial gains and losses on defined benefit plans	Change in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk	Translation adjustments	Total			
AS AT 31 DECEMBER 2020	**279**	**2,186**	**2,465**	**4,244**	**(141)**	**1**	**(385)**	**(5)**	**33**	**38**	**(460)**	**(557)**	**5,692**	**5,692**
Appropriation of net income 2020				(557)								557	0	0
Subtotal of shareholders related movements				**(557)**								**557**	**0**	**0**
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity					36						36		36	36
Own credit risk reclassified from accumulated other comprehensive income to equity upon reimbursement of financial liabilities at FVTPL				3					(3)		(3)		0	0
Transfer to reserves of gains and losses recognized directly in equity, relating to capital instruments				2		(2)					(2)		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	45
Gains and losses of cash flow hedge derivaitves, through equity							36				36		36	36
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.							99				99		99	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)	(2)
Net income for the period												(277)	(277)	(277)
AS AT 31 DECEMBER 2021	**279**	**2,186**	**2,465**	**3,691**	**(60)**	**(1)**	**(250)**	**(5)**	**28**	**38**	**(251)**	**(277)**	**5,628**	**5,628**
Correction of opening equity[2]				**25**									**25**	**25**
AS AT 1st JANUARY 2022	**279**	**2,186**	**2,465**	**3,716**	**(60)**	**(1)**	**(250)**	**(5)**	**28**	**38**	**(251)**	**(277)**	**5,653**	**5,653**
Appropriation of net income 2021				(277)								277	0	0
Subtotal of shareholders related movements				**(277)**								**277**	**0**	**0**
Translation adjustments										(1)	(1)		(1)	(1)
Changes in fair value of financial assets measured at fair value through other comprehensive income, through equity					(20)						(20)		(20)	(20)
Own credit risk reclassified from accumulated other comprehensive income to equity upon reimbursement of financial liabilities at FVTPL				8					(8)		(8)		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]					4						4		4	4
Gains and losses of cash flow hedge derivaitves, through equity							73				73		73	73
Gains and losses on cash flow hedge derivatives reclassified in profit or loss.							50				50		50	50
Changes in fair value of financial liabilities designated at fair value through profit or loss attributable to own credit risk (OCR)									(1)		(1)		(1)	(1)
Changes in actuarial gains and losses on defined benefit plans								2			2		2	2
Other variations				1									1	1
Net income for the period												59	59	59
AS AT 31 DECEMBER 2022	**279**	**2,186**	**2,465**	**3,448**	**(77)**	**(1)**	**(127)**	**(3)**	**19**	**37**	**(152)**	**59**	**5,820**	**5,820**

(1) See note 5,4.

(2) Following data quality work carried out during the first half of 2022, the ratings of origin of certain counterparties turned out to be erroneous. This error correction let to a favorable effect of EUR +25 million on expected credit losses as at 01/01/2022 recognised as a correction to opening equity.

The notes on pages 64 to 135 are integral part of these consolidated financial statements.

Consolidated cash flow statement

(in EUR million)	31/12/2021	31/12/2022
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(277)	59
Adjustment for:		
- Depreciation, amortization and other impairment	20	10
- Impairment losses (reversal impairment losses) on bonds, loans and other assets	(130)	1
- Net increases (net decreases) in provisions	(23)	(47)
- Unrealised (gains) or losses on financial instruments	104	(259)
- Deferred taxes	53	8
Changes in operating assets and liabilities	567	(7,511)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**314**	**(7,739)**
Cash flow from investing activities		
Purchase of fixed assets	(6)	(1)
Acquisitions of unconsolidated equity shares	0	(1)
Sales of unconsolidated equity shares	7	12
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**1**	**10**
Cash flow from financing activities		
Cash outflow related to lease liabilities	(8)	(8)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(8)**	**(8)**
NET CASH PROVIDED	**307**	**(7,737)**
Cash and cash equivalents at the beginning of the period	**10,519**	**10,836**
Cash flow from operating activities	314	(7,739)
Cash flow from investing activities	1	10
Cash flow from financing activities	(8)	(8)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	10	14
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**10,836**	**3,113**
Additional information		
Income taxes (paid) refund	2	8
Dividends received	3	1
Interest received	4,511	5,353
Interest paid	(4,566)	(5,226)

The notes on pages 64 to 135 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods, ownership interests in subsidiaries and other entities, significant items included in the statement of income, other significant events of the year, 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 2023.

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 2022, 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 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 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 as at 31 December 2022 and the areas of uncertainty are summarised below:

• The continuation of the resolution assumes that Dexia Crédit Local maintains a good funding capacity which relies in particular on the maintenance of the rating of Dexia Crédit Local at a level equivalent to or higher than Investment Grade, the appetite of investors for the debt guaranteed by the Belgian and French States and the 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, after it expired on 31 December 2021.

• Although it manages these risks very proactively, the 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.

• Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates.

• Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of the 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 diversified its funding sources, from the point of view of the prudent management of its liquidity. The increase in interest rates, which began in 2021 and continued 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 16.8 billion in the Group's funding requirement over the year, to EUR 44.8 billion as at 31 December 2022. Given this favourable development and the fact that Dexia Crédit Local 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 31 December 2022, the liquidity reserve amounted to EUR 10.8 billion, of which EUR 3.6 billion in cash.

• Within the framework of the preparation of the consolidated financial statements as at 31 December 2022, Dexia reviewed the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 and retained a base case macroeconomic scenario, based on the most recent European Central Bank (ECB) projections published in December 2022, supplemented by scenarios published by national central banks when available. The central scenario of the ECB foresees a short and shallow recession in early 2023. The labour market should remain relatively resilient to this mild recession. Dexia has nonetheless considered this scenario to be too favourable, given the persistent geopolitical and monetary pressures and the disruptions in supply chains, including energy supply cuts. Indeed, the Dexia Group also considered the ECB's downside macroeconomic scenario, which foresees a complete cut-off of Russian gas, higher commodity prices, high levels of uncertainty, weaker trade and deteriorating financing conditions. Adopting a cautious approach, Dexia Crédit Local's management has therefore decided to consider as a basic macroeconomic scenario an equal combination of the ECB's central and downside scenario's.

• Management has also taken into account all of these constraints and uncertainties associated with 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 2022, 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. As a consequence, the consolidated financial statements can be prepared in accordance with the going concern accounting rules under IAS 1 § 25 and 26.

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 2022

• **"Annual Improvements – 2018-2020 cycle"** which are a series of amendments to existing IFRS. These amendments do not have a material impact on Dexia Crédit Local's 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 have no impact on Dexia Crédit Local's financial statements as of 31 December 2022.

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 2022

• **Amendment to IAS 1 and IFRS 2 Practice Statement** "Disclosure of Accounting policies". These amendments, which aim to help companies to identify the useful information to provide to users of financial statements on accounting methods, will be applicable as from 1 January 2023 and their impact on Dexia Crédit Local's disclosures to financial statements is being analysed.

• **Amendment to IAS 8** "Definition of Accounting Estimates". 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 IFRS 17** "Initial Application of IFRS 17 and IFRS 9 - Comparative Information". This amendment applicable as from 1 January 2023 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.

• **Amendment to IAS 12** "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" which specifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. This amendment will be applicable as from 1 January 2023 and its impact on Dexia Crédit Local's financial statements is being analysed.

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 IFRS 16** "Lease Liability in a Sale and Leaseback" (issued by IASB in September 2022). This amendment applicable as from 1 January 2024 provides clarifications on the subsequent measurement of sale and leaseback transactions. This amendment will have no impact on the Dexia Crédit Local's financial statements as Dexia Crédit Local is not concerned by these transactions.

• **Amendment to IAS 1** "Non-current Liabilities with Covenants" (issued by IASB in October 2022). These amendments applicable as from 1 January 2024 aim to improve the information provided by companies on long-term debt with covenants. They also supplement the amendments published in 2020 on the classification of liabilities as current or non-current, the effective date of which is deferred to 1 January 2024. The impact of these amendments on Dexia Crédit Local's financial statements is being analysed.

1.1.2.4. New standard IFRS 17 "Insurance Contracts"

This standard issued by IASB in May 2017 replaces the current IFRS 4 "Insurance Contracts" standard and will be effective as from 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.

1.1.2.5. 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.

Dexia Crédit Local being exposed to the IBOR indices, mainly in euros, US dollars and pounds sterling, through its financial instruments remains impacted by this reform. A large number of financial instruments have been already 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) considering the reform progress as follows:

- in the euro zone, EONIA has been replaced by €STR since 3 January 2022. Since 2 October 2019 ant till its replacement, EONIA was based on €STR (EONIA = €STR + 8.5 bps). Regarding EURIBOR, a new so-called "hybrid" methodology has been recognised as BMR compliant since July 2019 and this rate was added to the benchmark register of the European Securities and Markets Authority (ESMA). Since then, the durability or the maintaining of the EURIBOR for the next years has not been called into question, neither by the supervisor of the index, ESMA, nor by its administrator, EMMI (European Money Markets Institute).
- regarding the USD LIBOR and GBP LIBOR replacement indices, the new SOFR and SONIA risk-free rates which comply with the BMR regulations have been published since 2018. The index based on SOFR (CME term SOFR or compounded overnight 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 remain therefore 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 (until 31 March 2023 for 1 month and 6 month LIBOR and until 31 March 2024 for 3 month LIBOR), 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 that could not be renegotiated before the index cessation because their transition is particularly difficult or it requires a prior agreement from the authorities, thus lengthening the renegotiation period.
- concerning the LIBOR JPY and the LIBOR CHF, the publication of which ceased on 1 January 2022, the new risk-free rates TONA and SARON have definitively replaced these indices since this date.
- concerning the CDOR CAD index, the end of its publication is scheduled for 28 June 2024. It will be replaced by the CORRA index.

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, organisation 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 considering 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 was 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 finalised substantially all the transitions of contracts on indexes terminating at the end of 2021. The remaining contracts were those for which the transition terms to the new interest rate benchmarks were fixed in 2021 and for which the migration took place during the first semester of 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 as from 1 January 2022, while awaiting for the conclusion of renegotiation of contracts with clients no later than by 31 March 2023 for contracts indexed to 1 month and 6 month LIBOR and by 31 March 2024 for contracts indexed to 3 month LIBOR.

In 2022, Dexia Crédit Local continued its work relating to the reform with the strategy elaboration and the process preparation of the transition for its instruments indexed on the USD LIBOR in view of the discontinuation of the index by the end of June 2023. In particular:

• for most of Dexia Crédit Local's bilateral derivatives and the associated cash collateral agreements, the replacement of the index will be effective via the activation of the fallback clauses under the ISDA contract. However, some derivatives can be renegotiated directly with the counterparties (mainly with non-members of the ISDA protocol);

• for Dexia Crédit Local's derivative contracts treated with the clearing house (LCH), the replacement of the index of the floating leg of instruments indexed on USD LIBOR will take place on 22 April 2023 and 20 May 2023 according to the schedule defined by the clearing house and depending on the nature of derivatives;

• for the loan contracts and credit lines, Dexia Crédit Local is actively communicating to its clients to ensure that the solutions are provided for the contracts before the index discontinuation.

During the year of 2022, Dexia Crédit Local did not modify any of its contracts indexed on the USD LIBOR.

Outstanding amounts of financial instruments impacted by the index reform are presented in note 4.8.

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 and IFRS 7 "Interest rate benchmark reform", published by the 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 amendments aim at maintaining the existing hedging relationships by assuming that the interest rate benchmark on which the hedged cash flows and/or cash flows from the hedging instrument are based will not be altered. These amendments introduced 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. The provisions of these amendments are presented in note 1.1.10. The notional amounts of hedging instruments impacted by the interest rate reform and to which Dexia Crédit Local applies the reliefs introduced by the amendments are presented in note 7.7.

• 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 and applied by Dexia Crédit Local as from 1 January 2021. These 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 the notes 1.1.6.1, 1.1.6.2.4. and 1.1.10.

Impacts on Dexia Crédit Local's financial statements

As at 31 December 2022, considering the application of the amendments to IFRS 9 and IAS 39 on interest rate benchmark reform-phase 2, the transition of Dexia Crédit Local's fair value hedge derivative contracts indexed on the GBP LIBOR, JPY LIBOR and CHF LIBOR to new indices via the activation of replacement clauses under the ISDA protocol generated a positive impact on income of EUR 329 million presented in "Net gains or losses on financial instruments at fair value through profit or loss". This amount is in line with the estimated amount presented in the annual report as of 31 December 2021. This impact is mainly due to derivative contracts indexed on the GBP LIBOR which have been amended in order to incorporate the new SONIA index. According to the transition terms adopted by the markets, this replacement of the index on the floating leg of derivatives, by adding a fixed spread to compensate for the basis difference between the GBP LIBOR and SONIA, did 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 was documented simultaneously to the change related to derivatives. So, the impact on the consolidated statement of income of Dexia Crédit Local was generated by the revaluation, based on SONIA's curve, of the fair value of the hedged risk following its redefinition. It 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.

Regarding the modifications in 2022 of non-derivative financial asset and liability contracts to the new indices replacing the GBP LIBOR, JPY LIBOR, CHF LIBOR and EONIA, the new provisions of the amendments to IFRS 9 allowed limiting the impacts on the financial situation of Dexia Crédit Local since the changes in rates were required by the reform and were carried out by Dexia Crédit Local on an economically equivalent basis.

Based on the estimates performed as at 31 December 2022 taking into account market conditions and the assumptions regarding the transition methods adopted by 30 June 2023, Dexia Crédit Local does not expect the future transition of instruments indexed to the USD LIBOR to generate a significant impact on its consolidated financial statements.

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 2022, 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 had 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.
In accordance with the amendments to IFRS 9 on the interest rate benchmark reform (Phase 2), Dexia Crédit Local does not derecognise a financial asset and a financial liability modified in the context of the interest rate benchmark reform if the required conditions are met (see 1.1.6.2.4).

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 Crédit Local recognises debt instruments at AC initially at fair value plus transaction costs and subsequently at amortised cost, adjusted for any allowances for expected credit losses (ECL).
Interest is calculated using the effective interest rate method and recognised in net interest income.
The effective interest rate (except for purchased or originated credit impaired assets) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, to the gross carrying amount of the financial asset not considering the expected credit losses.

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

A debt instrument is classified as measured at FVOCI if it meets the following conditions:
- it is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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

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

All other debt instruments are classified in the FVTPL category and consist of assets:
- not held in a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. This is the case for 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 1 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 the 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/received between the borrower and the lender or paid/received on their behalf, 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.

Financial assets modified in the context of the interest rate benchmark reform

In accordance with the amendments to IFRS 9 on the interest rate benchmark reform (phase 2), the replacement of a former benchmark interest rate by an alternative benchmark interest rate in the context of the reform does not result in a derecognition or an adjustment to the carrying amount of a financial asset at amortized cost or at fair value through OCI to take into account changes in the basis for determining the contractual cash flows. When the modified financial assets are indexed to the rate references in the scope of the reform, Dexia Crédit Local updates the effective interest rate (EIR) to reflect the change in the 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 asset 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.

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 Credit Impaired (POCI)) 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 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,

(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.

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: In a complementary way, in line with the requirement of IFRS 9 of the multi-scenario approach, Dexia Crédit Local developed ECL projections for 3 macro-economic 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 2022, Dexia Crédit Local used the baseline scenario which equally weights the central scenario and the downside scenario published by either the ECB in December 2022 or by the national banks 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 subportfolios 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.

Definition of Default

Dexia Crédit Local applies the requirements for the identification of defaulted positions for its whole balance sheet portfolio (defined by article 178 of Regulation (EU) n° 575/2013) in line with the European Banking Authority (EBA) guidelines, as well as the regulatory measures from the Regulation (EU) 2018/1845 of the European Central Bank (ECB) for the past-dues materiality threshold.

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

On initial recognition of a financial liability, 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. Any instruments issued which do not meet the criteria of equity instruments are classified as debt instruments by Dexia Crédit Local (see 1.1.6.2).

1.1.6.3.1. Liabilities at amortised cost

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

1.1.6.3.2. Liabilities held for trading

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

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

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

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

• a hybrid instrument with one or multiple separable embedded derivatives.

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

• changes in the fair value attributable to own credit risk are recorded in equity under the dedicated heading "Changes in fair value of financial liabilities designated at Fair Value Though Profit or Loss attributable to own credit risk" within "Gains and losses directly recognised in equity";

• the remaining amount of change in the fair value is presented in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".

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

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

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

1.1.7. FAIR VALUE OF FINANCIAL INSTRUMENTS

1.1.7.1. Valuation principles

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

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

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

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

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

• Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

• Level 2: valuation techniques based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly;

• Level 3: valuation techniques for which significant inputs are not based on observable market data.

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

1.1.7.2. Valuation techniques

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

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

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

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

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

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

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

• the valuations of derivatives are compared with those provided by a number of counterparties (in particular, via the collateral, the Totem consensus organised by Markit, etc.) 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. For bonds, 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). For loans, credit spreads are determined by the Asset department based on an expert's opinion based on the characteristics and the complexity of the loans and information on the level of spreads observed by customer managers. These credit spreads are verified by the Market Risk department as part of an independent review.
Concerning the valuation of derivatives, Dexia Crédit Local calculates a market value based on market data quoted at mid-market level. This market value is adjusted, in order to take into account the difference between bid prices and ask prices, by a Bid/Ask reserve on positions that could be reversed by Dexia Crédit Local by anticipation. The calculation of this reserve is mainly based on a sensitivity approach and for certain more complex derivatives on a historical record of exit prices. The market value is also adjusted 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 overnight Risk Free Rate (RFR) discounting curves or RFR curves adjusted to take into account the terms of the collateral remuneration. This approach is applied 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.
Dexia Crédit Local applies an additional fair value adjustment on derivatives and assets (model reserve), related to the complexity of certain valuation techniques, by using an alternative valuation technique when possible (e.g. Monte Carlo method for the calculation of XVA, etc.) or by using conservative valuation parameters in the case of the use of unobservable data.
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.

Hedge accounting in the context of the interest rate benchmark reform

In accordance with the amendments to IAS 39 relating to the interest rate benchmark reform (phase 1), Dexia Crédit Local considers that, during the period of uncertainty preceding the entry into force of new rates, the interest rate benchmark on which the hedged cash flows and/or cash flows from the hedging instrument are based will not be altered. Thus, the "highly probable" requirement for the cash flows hedged in the cash flow hedge relationship remains respected. Hedged risk components designated on the basis of a benchmark rate are considered to be separately identifiable.

For fair value hedges and cash flow hedges during this transitional period, Dexia Crédit Local considers that:

- prospective effectiveness tests are not affected by the reform;
- hedge accounting can continue if retrospective assessment results are outside the 80%-125% range;
- the ineffective portion of hedging relationships shall continue to be recognized in the income statement.

Dexia Crédit Local applies these reliefs as long as the uncertainties regarding the timing and the amount of cash flows (index, margin adjustment or compensation) of the hedged and/or hedging instruments are not resolved, i.e. until the effective amendment of clauses of the affected financial instruments.

In accordance with the amendments to IAS 39 on the interest rate benchmark reform (phase 2), the replacement of a former benchmark interest rate by an alternative benchmark interest rate in the context of the reform does not lead to the discontinuation of the hedge accounting 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 1.1.6.2.4);
- 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 hedges and cash flow hedges, Dexia Crédit Local applies the general IAS 39 accounting rules 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 performed in the context of the reform described above. When realizing the retrospective hedge effectiveness testing, accumulated changes in value may be reset to zero on a case-by-case basis upon modification.

Dexia Crédit Local uses its judgment to assess whether the modification of contracts is made on an economically equivalent basis. In particular, when upon the modification there is a cash settlement for the basis difference between the old and the new rate, Dexia Crédit Local considers that the terms are economically equivalent if the settlement does not significantly alter the future cash flows, and conversely.

For fair value hedges of a risk component, Dexia Crédit Local uses an alternative benchmark interest rate that is not separately identifiable at the date of designation as a non-contractually specified risk component under condition that it is reasonably expected that it will be separately identifiable within 24 months following its replacement.

When hedging groups of items designated as hedged items in a fair value hedge or a cash flow hedge, the hedged items can be split into subgroups based on the hedged benchmark rate with the designation of this benchmark rate as the hedged risk for each subgroup.

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 restatement for previous periods is performed.

1.1.16. GOODWILL

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

1.1.17. ACCRUALS AND OTHER ASSETS

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

1.1.18. LEASES

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

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

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

In accordance with IFRS 16, Dexia Crédit Local does not apply the new standard to leases of intangible assets (e.g. 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 reestimated, or to account for contractual changes in the rental payments related to the application of indices or rates.
Dexia Crédit Local presents the right-of-use assets under "Tangible fixed assets" within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Lease liabilities are presented within "Accruals and other liabilities".
In the income statement, the depreciation charge for the right-of-use asset is presented under "Depreciation, amortisation and impairment of tangible fixed assets and intangible assets", separately from the interest expense on lease liabilities which is presented under "Interest expense".
In the cash flow statement, cash outflows related to lease liabilities are classified within financing activities for the principal portion and within operating activities for the interest portion.

1.1.18.2. Dexia Crédit Local is the lessor

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

1.1.19. SALE AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Securities sold subject to a linked repurchase agreement ("repos") are not derecognised because, despite the transfer of ownership of securities, there is no substantial transfer of risks and rewards and the securities remain in their original category. The corresponding liability is entered under "Interbank borrowings and deposits" or "Customer borrowings and deposits", as appropriate. The asset is reported as "pledged" in the notes.
Securities purchased under agreements to resell ("reverse repos") are recorded as off-balance-sheet items and the corresponding loans recorded as "Interbank loans and advances" or "Customer loans and advances".
The difference between the sale and repurchase price is treated as interest income or expense and is accrued over the life of the agreements using the effective interest rate method.
Securities lent to counterparties are not derecognised but, rather recorded in the financial statements in the same heading.
Securities borrowed are not recognised in the financial statements.
If they are sold to third parties, the gain or loss is entered under "Net gains (losses) on financial instruments at fair value through profit or loss" and the obligation to return them is recorded at fair value under "Financial liabilities at fair value through profit or loss".

1.1.20. CURRENT AND DEFERRED INCOME TAX

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

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

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

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

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

1.1.21.2. Post-employment benefits

If Dexia Crédit Local has a legal obligation to pay post-employment benefits, the plan is either classified as "defined benefit" or "defined contribution plan".

Defined contribution plans such as French national plans are those for which Dexia Crédit Local's obligation is limited to payment of a contribution and there is no obligation for the employer regarding a certain level of benefits. Defined benefit plans are those for which Dexia Crédit Local has undertaken to provide a given amount or level of benefits.

Except commitments for statutory pension and defined contribution plans, commitments for defined benefit plans are limited. They mainly concern retirement allowances in France and pension plans in Italy.

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 (including when there are contractual restrictions on the use agreed with a third party).

1.1.26. USE OF ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management is required to make estimates and assumptions that involve uncertainties relating to their occurrence in the future and that affect the amounts reported, including in the disclosures. To make these assumptions and estimates, management uses the information available at the date of preparation of the financial statements and exercises its judgment. 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 recognised 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 capitalising 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. This judgment was mainly exercised for the transition of certain contracts in 2021 (see note 1.1.10).

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

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 a notable influence must be consolidated.
Consequently, all companies exclusively or jointly controlled, or over which the group holds 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 2021

DCL Évolution and Dexiarail are fully consolidated as from 1st January 2022.

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 2022

A. Fully consolidated entities

Name	31 December 2021				31 December 2022		
	Country	Method	Control rate	Interest rate	Method	Control rate	Interest rate
PARENT COMPANY							
Dexia Crédit Local S.A.	France				FC	100	100
Dexia Crédit Local, Dublin Branch	Ireland	FC	100	100	FC	100	100
SUBSIDIARIES							
DCL Evolution(3)	France				FC	100	100
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
Dexiarail(3)	France				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
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) Scope entries

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

Name	Country	31 December 2021 Method	Control rate	Interest rate	31 December 2022 Method	Control rate	Interest rate
ALSATRAM	France				not FC	100	100
DCL Evolution[1]	France	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
Dexia Blue	France				not FC	100	100
Dexia White	France				not FC	100	100
Genebus Lease[2]	France	not FC	100	100			
Impax New Energy Investor	Luxemburg	not EM	24.99	24.99	not EM	24.99	24.99
Premier International Funding Co	Cayman Islands	not FC	0	0	not FC	0	0
Progetto Fontana (in liquidation)	Italy	not FC	100	100	not FC	100	100
SPS - Sistema Permanente di Servizi in liquidazione e concordato preventivo	Italy	not EM	20.4	20.4	not EM	20.4	20.4

(1) Company consolidated as at December 31, 2022
(2) Dissolution

Method *not FC: not Fully Consolidated*
not EM: not accounted for by the Equity Method

C. Other significant companies held by the Dexia Crédit Local 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 resulted in the entity controlling the 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 obligations of the issuer to the noteholders as well as requirement of agreement from the insurer or the guarantor.

(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-term of the guarantee.

Pursuant to the European Commission Decision of 28 December 2012, there is a general ban on the payment of any form of dividend by any subsidiary controlled directly or indirectly by Dexia, in particular when such a payment would entail mandatory payment of a coupon on Tier 1 hybrid instruments or Tier 2 instruments held by persons other than Dexia and its subsidiaries.
Regulated entities are required to comply with regulatory requirements applicable to them.
Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

f. Interest in unconsolidated structured entities
There are no significant entities as of 31 December 2022.
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 of 31 December 2022.

Interests in unconsolidated entities (in EUR million)	31/12/2021 Securitisation Special Purpose Entities	Other activities	Total	31/12/2022[1] 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**		

(1) Exit from a customer loan securitisation vehicle.

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 December 2022, there are not significant minority interest.

1.3 Significant items included in the income statement

Over the year 2022, Dexia Crédit Local posted a net result Group share of EUR 59 million (EUR -277 million in 2021).

The net banking income is positive, at EUR +371 million (EUR -76 million in 2021).

As in 2021, 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.

Net interest margin is stable at EUR +60 million in 2022 and EUR +59 million in 2021: it corresponds to the cost of carrying assets and the bank's transformation result.

Net commissions amount to EUR -11 million in 2022 (EUR -10 million in 2021).

Net gains or losses on financial instruments at fair value through profit or loss at EUR +346 million (EUR -70 million in 2021) includes in 2022 an income of EUR +329 million related to the transition of fair value derivative contracts indexed on GBP, JPY and CHF LIBOR, recorded in the context of the reform of the IBOR benchmarks, as well as an income of EUR +43 million related to the restructuring of inflation-linked hedging derivatives. The change in market parameters during the year, in particular the tightening of credit spreads on Currency Basis Swaps and the increase in interest rates, also had a negative impact of EUR -107 million (EUR -151 million in 2021) on fair value hedging inefficiencies. Assets classified at fair value through profit or loss show a positive change in value of EUR +24 million (EUR +25 million in 2021). The item also includes a favorable evolution of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA), for a total amount of EUR +58 million (neutral effect in 2021).

Net gains or losses on financial instruments at fair value through equity amounts to EUR -6 million (EUR -51 million in 2021) as a result of disposals made in the context of the proactive deleveraging strategy.

Net gains or losses from derecognition of financial assets at amortised cost amounts to EUR -43 million (EUR -10 million in 2021). It includes notably a loss of EUR -24 million related to the disposal of EUR 485 million of securities outstanding as part of the reduction Group's concentration risk, as well as an indemnity of EUR -17 million following the early repayment of EUR 220 million of outstanding loans.

The *net other results*, at EUR +24 million (EUR +6 million in 2021) is mainly explained by the evolution of legal litigations. In 2022, it includes a favorable effect of EUR 13 million linked to the signature of two settlement agreements, and also benefits from the out-of-court settlement of a dispute in Austria for EUR +10 million.

Costs amount to EUR -286 million (EUR -277 million in 2021). Taxes and regulatory contributions amounted to EUR -64 million, up from 2021 (EUR -53 million), due to the increase of contributions to the Single Resolution Fund. General operating expenses remain impacted by significant transformation costs.

Cost of credit risk amounts to EUR -3 million in 2022 and includes :

– a net reversal of collective provisions (EUR +5 million), marked by an unfavorable macroeconomic environment (EUR -45 million) reflected by the projections published by the ECB in December 2022 and the Group's cautious approach, in particular on the assessment of the consequences of the conflict in Ukraine on the economy. On the other hand, the evolution of the portfolio, notably through the decrease of EADs, and the context of rising interest rates over the year had a favorable effect on the level of provisions of EUR +54 million.

– a net allocation to specific provisions (EUR -8 million).

In 2021, the item amounted to EUR +130 million, benefiting in particular from a favorable effect of the post-Covid 19 pandemic macroeconomic assumptions, and from the move of the exposure on the Central Bank of Tunisia from stage 2 to stage 3.

Income taxes amounted to EUR -23 million (EUR -55 million in 2021), including a current tax charge of EUR -15 million and a deferred charge of EUR -8 million.

1.4 Other significant event of the year

1.4.1. SALE OF ASSETS

After the year 2021 characterised by favourable market conditions, in particular by virtue of 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 2022. Dexia Crédit Local 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 year.

Thus, at the end of December 2022, the asset portfolios were EUR 2.4 billion lower than at the end of December 2021, as a result of EUR 1.1 billion of natural amortisation and EUR 1.3 billion of disposals and early repayments, half of which were loans and half were bonds.

In 2022, 78% of the assets sold or early repaid were denominated in euro. The assets sold have an average life of about eight years.

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

In addition, more than a hundred operations were subject to early repayment or restructuring, including "complex" operations (loans indexed on structured indices, revolving credit), thus contributing to the continued simplification of the commercial portfolio.

In the first half of 2022, Dexia Crédit Local reached the target volume of disposals which had been set by the Board of Directors in July 2019, at a cost of 35% lower than the allocated loss budget. In order to pursue the objective of portfolio reduction, the Group's governance bodies decided to extend the programme. During the second half of 2022, disposals and early repayments reached a volume of EUR 500 million.

As a reminder, the Group has no direct exposure to Ukraine or Russia, and no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

1.5. Post balance sheet events[1]

At the beginning of 2023, Dexia Crédit Local is closely monitoring the evolution of the banking sector in the United States and Europe and its impact on the financial markets. The bank has no direct exposure to Silicon Valley Bank, Signature Bank and Silvergate or to any US regional bank. Its exposure to the North American banking sector is extremely limited and restricted to international institutions, which, since the 2008 crisis, have been subject to higher capital requirements and closer supervision than regional banks.
Moreover, Dexia Crédit Local has a limited exposure to Crédit Suisse (EUR 49 million[2]) and to UBS (EUR 54 million[2]), composed solely of collateralised derivatives. The impact in the event of an actual default is not significant.
At this stage, Dexia Crédit Local has not observed any deterioration on the short-term secured debt market or on the secured financing market. The bank has a liquidity reserve calibrated to enable it to cope with stressed market conditions.

(1) Drafting of the text closed on 24 March 2023.
(2) Exposure at default (EAD) as at 1 January 2023.

1.6. Operational risk management during the resolution period

Within the framework of its long-term strategic reflection, aimed at reassessing the trajectory of its orderly resolution over the next few years, during 2022 the Group continued the in-depth studies begun in 2021 and undertook structuring actions concerning the revision of its operational model, in particular outsourced services and their implementation methods.
In this respect, Dexia Crédit Local 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 is continuing with the gradual transfer of clearing operations in other currencies.
In the first half of 2022, Dexia Crédit Local also signed a contract with Arkéa Banking Services for the back-office processing of loans. The 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 which has already proved its worth with other institutions, the development of outsourced services being at the heart of Crédit Mutuel Arkéa's strategy. For the Dexia Crédit Local's Group, this is part of a permanent search for cost and process optimisation and for control of its operational risks in activities which are always complex but with increasingly lower volumes.
Finally, in early January 2023, the Group launched an invitation to tender for the management of the market back office.

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)	31/12/2021	31/12/2022
Cash and central banks (note 2.2)(1)	9,753	2,024
Financial assets at amortised cost - Interbank loans and advances (note 2.6)	1,083	1,090
TOTAL	**10,836**	**3,113**

(1) A part of it was invested in the form of repo.

b. Of which, restricted cash :

(in EUR million)	31/12/2021	31/12/2022
Mandatory reserves(1)	0	1,777
TOTAL	**0**	**1,777**

(1) Minimum required reserve deposits at the European Central Bank (ECB) or at other central banks.

2.2. Cash and central banks

(in EUR million)	31/12/2021	31/12/2022
Mandatory reserve deposits with central banks	0	1,777
Other central banks deposits(1)	9,753	247
TOTAL	**9,753**	**2,024**
of which included in cash and cash equivalents	*9,753*	*2,024*

(1) On 21 July 2017, the European Central Bank announced the end of the access to Eurosystem funding for wind-down entities as from 31 December 2021 and limited the Group's recourse to the Eurosystem to an amount of EUR 5.2 billion for the transitional period. The ECB decision also resulted in a reduction of the liquidity buffer, combined with a change of its composition. As of December 31, 2022, the liquidity reserve is EUR 10.8 billion of which EUR 2 billion in the form of deposits with central banks. As of December 31, 2021 the liquidity reserve is EUR 13.1 billion of which EUR 9.8 billion of deposits with central banks.

2.3. Financial assets at fair value through profit or loss

(in EUR million)	31/12/2021	31/12/2022
Loans and securities	1,999	1,250
Derivatives (see note 4.1.b)	7,281	2,247
TOTAL	**9,280**	**3,497**

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

	31/12/2021			31/12/2022		
(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		1,794	1,794		1,242	1,242
Bonds		203	203		5	5
Equity instruments		2	2		3	3
TOTAL	**0**	**1,999**	**1,999**	**0**	**1,250**	**1,250**

b. Analysis by maturity
See note 7.5.

c. Analysis of the fair value
See note 7.1.

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

2.4. Financial assets at fair value through OCI

a. Analysis by nature

(in EUR million)	31/12/2021	31/12/2022
Loans	1,518	1,107
Bonds	368	451
Equity instruments designated at FVOCI	31	31
TOTAL ASSETS BEFORE ALLOWANCES	1,917	1,589
Allowances	(15)	(8)
TOTAL ASSETS AFTER ALLOWANCES	1,902	1,581

b. Derecognition of investments in equity instruments
There is no significant amount.

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)	31/12/2021	31/12/2022
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)	31/12/2021	31/12/2022
Interbank	1,300	665
Customers	33,369	26,243
TOTAL ASSETS BEFORE ALLOWANCES	34,669	26,908
Allowances	(116)	(135)
TOTAL ASSETS AFTER ALLOWANCES	34,553	26,774

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)	31/12/2021	31/12/2022
Nostri accounts	1,013	1,090
Cash collateral[1]	16,162	5,731
Other interbank loans and advances	131	60
TOTAL ASSETS BEFORE ALLOWANCES	**17,306**	**6,881**
Allowances	0	0
TOTAL ASSETS AFTER ALLOWANCES	**17,306**	**6,881**
of which included in cash and cash equivalents	*1,083*	*1,090*

(1) The decrease of cash collateral is linked to the increase of long rates.

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)	31/12/2021	31/12/2022
Cash collateral	5,772	4,078
Reverse repurchase agreements (reverse repos)[1]	0	3,637
Loans and advances	18,272	13,164
TOTAL ASSETS BEFORE ALLOWANCES	**24,043**	**20,880**
Allowances	(183)	(145)
TOTAL ASSETS AFTER ALLOWANCES	**23,860**	**20,734**
of which included in finance leases	*917*	*864*

(1) The increase of reverse repo is linked to the decrease of the item "Cash and central banks".

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)	31/12/2021	31/12/2022
Deferred expense	15	12
Other accounts receivable	103	212
Plan assets	0	2
Other taxes[1]	0	55
TOTAL	**118**	**282**

(1) The change in recoverable VAT is linked to the transfer of assets from Flobail to two other leasing companies.

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2.9. Tangible fixed assets

a. Net book value

(in EUR million)	2021			2022		
	Land and buildings	Office furniture and other equipment	Total	Land and buildings	Office furniture and other equipment	Total
	Right-of-use	Own use owner		Right-of-use	Own use owner	
Acquisition cost as at 1 January	**59**	**19**	**78**	54	**19**	**74**
- Acquisitions	0	0	0	3	0	3
- Transfers and cancellations	(4)	0	(4)	0	(3)	(3)
Acquisition cost as at 31 December (A)	**54**	**19**	**74**	**57**	**17**	**74**
Accumulated depreciation and impairment as at 1 January	**(30)**	**(17)**	**(47)**	**(36)**	**(18)**	**(54)**
- Depreciation booked	(7)	(1)	(7)	(6)	(1)	(6)
- Transfers and cancellations	0	0	0	0	3	3
Accumulated depreciation and impairment as at 31 December (B)	**(36)**	**(18)**	**(54)**	**(42)**	**(16)**	**(58)**
Net book value as at 31 December (A)+(B)	**19**	**2**	**20**	**15**	**1**	**16**

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)	2021			2022		
	Internally developed software	Other intangible assets(1)	Total	Internally developed software	Other intangible assets(1)	Total
Acquisition cost as at 1 January	**128**	**74**	**202**	**116**	**77**	**193**
- Acquisitions	2	3	5	0	1	1
- Transfers and cancellations	(14)	(1)	(14)	0	(2)	(2)
Acquisition cost as at 31 December (A)	**116**	**77**	**193**	**116**	**76**	**192**
Accumulated depreciation and impairment as at 1 January	**(112)**	**(70)**	**(182)**	**(113)**	**(73)**	**(186)**
- Depreciation booked	(9)	(4)	(12)	(2)	(2)	(4)
- Transfers and cancellations	8	1	8	0	2	2
Accumulated depreciation and impairment as at 31 December (B)	**(113)**	**(73)**	**(186)**	**(115)**	**(73)**	**(188)**
Net book value as at 31 December (A)+(B)	**3**	**4**	**7**	**2**	**3**	**4**

(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)	**31/12/2021**	**31/12/2022**
Less than 1 year	51	55
1 to 4 years	204	199
Over 5 years	682	627
SUBTOTAL	**937**	**881**
NET INVESTMENT IN FINANCE LEASE	**937**	**881**

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)	**31/12/2021**	**31/12/2022**
Less than 1 year	8	8
1 to 2 years	7	8
2 to 3 years	7	5
3 to 4 years	4	0
TOTAL	**25**	**20**

Amounts recognised in profit and loss (in EUR million)	**31/12/2021**	**31/12/2022**
Expenses relating to short-term leases	2	2

Amounts recognised in the statement of cash flows	(11)	(10)

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

	31/12/2021					
(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	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**

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(in EUR million)	31/12/2022					
	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	21,551	5,239	(12)	(66)	21,539	5,174
Financial assets at amortised cost - Interbank loans and advances	6,828	53	0	0	6,828	53
Financial assets at amortised cost - Customer loans and advances	16,380	4,148	(1)	(50)	16,379	4,097
Financial assets at fair value through OCI - Fixed revenue intruments	1,025	505	0	(5)	1,024	501
Other accounts receivable	108	0	0	0	108	0
TOTAL	**45,892**	**9,946**	**(14)**	**(121)**	**45,878**	**9,825**

(in EUR million)	31/12/2021			31/12/2022		
	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	137	(59)	79	118	(57)	61
Financial assets at amortised cost - Customer loans and advances	335	(85)	251	286	(87)	199
Financial assets at fair value through OCI - fixed revenue intruments	31	(3)	28	28	(3)	25
Other accounts receivable	4	(4)	0	5	(5)	0
TOTAL	**508**	**(151)**	**357**	**437**	**(152)**	**285**

(in EUR million)	31/12/2021			31/12/2022		
	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	70	(6)	64	66	(7)	59
TOTAL	**70**	**(6)**	**64**	**66**	**(7)**	**59**

(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 stage 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.

(in EUR million)	31/12/2022 Gross amount	12-month expected credit losses	Lifetime expected credit losses	Specific Impairment	Net amount
Financial assets at amortised cost - Debt securities	26,908	(12)	(66)	(57)	26,774
Financial assets at amortised cost - Interbank loans and advances	6,881	0	0	0	6,881
Financial assets at amortised cost - Customer loans and advances	20,880	(1)	(50)	(94)	20,734
Financial assets at fair value through OCI - fixed revenue intruments	1,558	0	(5)	(3)	1,550
Other accounts receivable	114	0	0	(5)	108
TOTAL	**56,341**	**(14)**	**(121)**	**(159)**	**56,047**

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.

	31/12/2021		31/12/2022	
(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	9,968	9,974	4,840	4,895
TOTAL	**9,968**	**9,974**	**4,840**	**4,895**

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)	31/12/2021	31/12/2022
Liabilities designated at fair value	812	456
Derivatives (see note 4.1.)[(1)]	9,304	3,669
Total	10,116	4,126

(1) The decrease in derivative instruments is linked to the increase in long-term interest rates.

a. Analysis by nature of liabilities held for trading

Nil.

b. Analysis by nature of liabilities designated at fair value

(in EUR million)	31/12/2021	31/12/2022
Non subordinated liabillities	812	456
TOTAL	812	456

c. Credit risk on financial liabilities designated at fair value through profit or loss

	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk		Difference between carrying amount and amount contractually required to be paid at maturity[(1)]
(in EUR million)		For the period	Cumulative	
As at 31 December 2021	812	6	(37)	213
As at 31 December 2022	456	12	(25)	45

(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 if there is a risk that they will not be met, the FVO is used as an alternative in order to reduce volatility in profit or loss.
The following types of liabilities are subject to the FVO classification:
a) Fixed rate liabilities that are highly customised funding contracts tailored to the specific needs of the investor (GIC activities). Regarding collaterised liabilities by assets, the DVA spread is the average of spreads of collateral given as guarantee. Regarding non secured liabilities, they benefit from both Dexia and Assurer monoliner guarantee. In this case, the own credit spread (DVA) is the lower of Dexia DVA spread and the Assured Guaranty spread.
b) FSA Global Funding fixed rate liabilities and the unsecured FP GICs.
The own credit spread is Dexia's DVA spread.

As at 31 December 2022, the cumulative change in fair value attributable to the own credit risk of financial liabilities designated at fair value amount to EUR -25 million (EUR -37 million in 2021). 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)	31/12/2021	31/12/2022
Demand deposits	0	46
Repurchase agreements	2,618	995
Cash collateral[(1)]	2,912	1,394
Other debts	1,126	714
TOTAL	6,656	3,149

(1) The decrease in cash collateral is linked to the increase in long-term interest rates.

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)	31/12/2021	31/12/2022
Term deposits	372	352
Total customer deposits	**372**	**352**
Repurchase agreements[1]	8,260	4,146
Cash collaterals	45	113
Other borrowings	141	154
Total customer borrowings	**8,447**	**4,413**
TOTAL	**8,819**	**4,765**

(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)	31/12/2021	31/12/2022
Certificates of deposit[1]	636	563
Non-convertible bonds	48,770	36,126
TOTAL[2]	**49,406**	**36,690**

(1) The variation in certificates of deposit is sensitive to year-end short-term market conditions.
(2) As at 31 December 2022, the total amount issued with the State guarantee was EUR 37.6 billion (EUR 48.1 billion in 2021). The difference with the book value is mainly explained by the impact of the hedge in FVH (EUR -1.7 billion).

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)	31/12/2021	31/12/2022
Accrued costs	5	10
Deferred income	2	2
Grants	27	24
Salaries and social charges (payable)	4	4
Other taxes	12	14
Rental debts	25	20
Other accounts payable and other liabilities	180	313
TOTAL	**255**	**387**

3.6. Provisions

a. Analysis by nature

(in EUR million)	31/12/2021	31/12/2022
Litigation claims[1]	64	23
Restructuring	9	5
Defined benefit plans	1	1
Other long-term employee benefits	3	3
Commitments and guarantees given	10	9
Commitments and guarantees given - stage 1	*0*	*0*
Commitments and guarantees given - stage 2	*2*	*1*
Commitments and guarantees given - stage 3	*8*	*8*
TOTAL	**87**	**41**

(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	Total
AS AT 1 JANUARY 2021	79	16	4	99
Additions	37	3	1	40
Unused amounts reversed	(50)	(10)	0	(60)
Amounts utilised during the year	(2)	0	0	(3)
AS AT 31 DECEMBER 2021	64	9	4	77

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Total
AS AT 1 JANUARY 2022	64	9	4	77
Additions	6	2	0	8
Unused amounts reversed	(47)	(6)	(1)	(54)
AS AT 31 DECEMBER 2022	23	5	3	32

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 2022. Except commitments for statutory pension and defined contribution plans, commitments for defined benefit plans are limited.

They mainly concern retirement allowances and jubilee bonuses 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 3 million as at 31 December 2022 and EUR 4 million as at 31 December 2021.

d. Litigation

Like many financial institutions, Dexia Crédit Local 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 2022 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's Group is named as a defendant should not have a material impact on the Group's financial position.

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 that may have a material impact on the Group's financial position, results or activities are reflected in the Group's consolidated financial statements. Provisions have been booked when deemed necessary.

Dexia Crediop

Like other Italian credit institutions, Dexia Crediop is involved in a series of 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 financial transactions.

As indicated in earlier annual reports, in 2017, the Court of Appeal in London issued an important 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 in Italy and in the UK.

Dexia Crédit Local

Dexia Crédit Local remains involved in a number of cases brought by local authorities to which it had granted structured loans. As at 31 December 2022, only 3 clients were still litigating in connection with structured loans.

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)	31/12/2021	31/12/2022
Other subordinated notes	20	23
TOTAL	20	23

b. Reconciliation of liabilities arising from financing activities

(in EUR million)	Cash flows	Non-cash changes				
01/01/2021		Changes arising from obtaining or losing control of subsidiaries	Translation adjustment	Fair value changes	Other changes	31/12/2021
19	0	0	1	0	0	20

(in EUR million)	Cash flows	Non-cash changes				
01/01/2022		Changes arising from obtaining or losing control of subsidiaries	Translation adjustment	Fair value changes	Other changes	31/12/2022
20	0	0	(1)	0	3	23

c. Analysis by maturity

See note 7.5.

d. Analysis of fair value

See note 7.1.

e. Detail subordinated debts

Currency	Due	Amount in millions	a) Circumstances for early redemption b) Conditions for subordination c) Conditions for convertibility	Indemnity conditions (in %)
GBP	15/10/58	11.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. **b)** After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. **c)** None	up to 15/01/2022: LIBOR(1) +0.3% from 15/01/2022 to redemption date: LIBOR +0.58%
GBP	15/10/58	5.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. **b)** After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. After enforcement of the security for the Notes under the Security Documents, payments of principal and interest on the Class B Notes will be made in priority to payments of principal and interest on the Class C Notes. **c)** None	up to 15/01/2022: LIBOR(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".

Subordinated debts also include an amount of EUR 3.5 million for the conditional deferred fee related to the 2022 guarantee agreement (see note 4.4.c).

3.8. Information on Equity

a. Capital stock

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

b. Super-subordinated perpetual note

In 2005, Dexia Crédit Local issued EUR 700 million in super-subordinated perpetual notes. The residual outstanding amounts to EUR 56 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

	31/12/2021		31/12/2022	
(in EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.3 and 3.1)	**7,281**	**9,304**	**2,247**	**3,669**
Derivatives designated as fair value hedges	538	15,984	1,289	7,998
Derivatives designated as cash flow hedges	112	381	234	207
Derivatives designated as portfolio hedges	12	349	235	147
Hedging derivatives	**662**	**16,714**	**1,759**	**8,352**
TOTAL DERIVATIVES	**7,943**	**26,019**	**4,006**	**12,022**

The valuation of derivatives and cash collaterals was strongly impacted by the increase of long rates in 2022.

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

	31/12/2021			31/12/2022		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**147,368**	**5,890**	**8,419**	**124,471**	**1,547**	**3,128**
of which: economic hedges	*59,771*	*355*	*803*	*65,431*	*1,348*	*968*
OTC options	10	1	1	8	0	0
OTC other	147,359	5,889	8,418	123,976	1,547	3,127
Organized market other				487		
Foreign exchange derivatives	**17,729**	**1,204**	**786**	**13,808**	**526**	**459**
of which: economic hedges	*12,457*	*450*	*269*	*8,233*	*94*	*94*
OTC other	17,729	1,204	786	13,808	526	459
Credit derivatives	**3,016**	**187**	**99**	**2,681**	**174**	**83**
of which: economic hedges	*1,904*	*168*	*69*	*1,573*	*156*	*58*
Credit default swap	3,016	187	99	2,681	174	83
TOTAL	**168,114**	**7,281**	**9,304**	**140,960**	**2,247**	**3,669**

c. Detail of derivatives designated as fair value hedges

	31/12/2021			31/12/2022		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**55,864**	**478**	**13,621**	**45,595**	**768**	**6,503**
OTC options	10	0	2	8	0	0
OTC other	55,854	478	13,619	45,587	768	6,503
Foreign exchange derivatives	**4,255**	**61**	**2,363**	**4,289**	**521**	**1,495**
OTC other	4,255	61	2,363	4,289	521	1,495
TOTAL	**60,119**	**538**	**15,984**	**49,884**	**1,289**	**7,998**

d. Detail of derivatives designated as cash flow hedges

	31/12/2021			31/12/2022		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	**359**	**3**	**104**	**288**	**1**	**14**
OTC other	359	3	104	288	1	14
Foreign exchange derivatives	**2,273**	**109**	**278**	**2,354**	**234**	**193**
OTC other	2,273	109	278	2,354	234	193
TOTAL	**2,632**	**112**	**381**	**2,642**	**234**	**207**

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

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/2021			31/12/2022		
(in EUR million)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Portfolio fair value hedges of interest rate risk	5,286	12	349	5,590	235	147
TOTAL	**5,286**	**12**	**349**	**5,590**	**235**	**147**

4.2. Deferred taxes

a. Analysis by nature

(in EUR million)	31/12/2021	31/12/2022
Deferred tax assets	1,263	1,247
Unrecognised deferred tax assets	(1,263)	(1,247)
Recognised deferred tax assets(1)	**0**	**0**
Deferred tax liabilities(1)	**(83)**	**(89)**
TOTAL	**(83)**	**(89)**

(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 5.11. "Income tax" and in the "Consolidated statement of comprehensive income" respectively.

b. Movements

(in EUR million)	2021	2022
AS AT 1 JANUARY	**(30)**	**(83)**
Charge/credit recognised in the income statement: "Income tax"	(53)	(8)
Movements directly recognised in shareholders' equity	1	3
Translation adjustment	(1)	(1)
AS AT 31 DECEMBER	**(83)**	**(89)**

c. Deferred taxes

(in EUR million)	31/12/2021	31/12/2022
Deferred tax assets	1,263	1,247
Deferred tax liabilities	(83)	(89)
DEFERRED TAXES	**1,180**	**1,159**

Deferred taxes coming from assets	31/12/2021		31/12/2022	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Loans (and loan loss provisions)	(1,291)	286	(249)	1,047
Securities	(1,120)	314	(398)	719
Derivatives	616	194	694	81
Tangible fixed assets and intangible assets	2	(1)	1	0
TOTAL	**(1,793)**	**793**	**49**	**1,847**

Deferred taxes coming from liabilities	31/12/2021		31/12/2022	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Derivatives	1,096	(610)	(218)	(1,286)
Borrowings, deposits and debt securities	322	(192)	(195)	(517)
Provisions	52	10	59	6
Pensions	3	0	3	0
Non-deductible provisions	(9)	0	(9)	0
Accruals and other liabilities	(21)	0	(18)	0
TOTAL	**1,443**	**(792)**	**(378)**	**(1,796)**

Deferred taxes coming from other elements	31/12/2021		31/12/2022	
(in EUR million)	Total	of which, change through profit or loss	Total	of which, change through profit or loss
Tax losses carried forward	1,530	36	1,488	(65)
TOTAL	**1,530**	**36**	**1,488**	**(65)**
TOTAL DEFERRED TAXES	**1,180**		**1,159**	

d. Expiry date of unrecognised deferred tax assets

(in EUR million)	31/12/2021		31/12/2022	
Nature	Unlimited maturity	Total	Unlimited maturity	Total
Temporary difference	(42)	(42)	(67)	(67)
Tax losses carried forward	(1,221)	(1,221)	(1,181)	(1,181)
TOTAL	**(1,263)**	**(1,263)**	**(1,247)**	**(1,247)**

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.
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 Crédit Local'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, 2022, 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

	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			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives	9,446	(1,736)	7,710	(5,111)	(2,338)	0	261
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**9,446**	**(1,736)**	**7,710**	**(5,111)**	**(2,338)**	**0**	**261**

b. 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**

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

(in EUR million)	31/12/2022 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	8,283	(4,624)	3,659	(3,067)	(280)	0	312
Reverse repurchase and similar agreements	3,637	0	3,637	0	0	(3,637)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**11,921**	**(4,624)**	**7,297**	**(3,067)**	**(280)**	**(3,637)**	**312**

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

(in EUR million)	31/12/2022 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	16,646	(4,624)	12,021	(3,067)	(6,300)	0	2,655
Repurchase and similar agreements	5,036	0	5,036	0	0	(5,036)	0
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**21,682**	**(4,624)**	**17,058**	**(3,067)**	**(6,300)**	**(5,036)**	**2,655**

4.4. Related party transactions

a. Related-party transactions

	Parent company (Dexia)	
(in EUR million)	2021	2022
Borrowings	88	84
Guarantees received by the Group[1]	0	3

(1) Guarantee by Dexia of the amount of the conditional deferred commission.

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)	2021	2022
Short-term benefits[1]	3.8	3.8

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

c. Transactions with 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).

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:

- 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.

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.

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.

(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 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 Dexia Crédit Local's consolidated financial statements, the amount of the conditional deferred commission is 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 is recorded in Subordinated debt. Furthermore, the recognition of the conditional deferred commission results in a negative impact on the accounting equity, linked to the result of the year.

The outstanding debt guaranteed under the 2013 and 2022 Guarantee Agreements 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 2022, the total outstanding amount of bonds guaranteed by the three States was EUR 37.6 billion.

In 2022, Dexia paid a total monthly remuneration of EUR 21.5 million to the States for these guarantees. In 2022, the amount recorded in the accounts for the conditional deferred fee is EUR 3.5 million.

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

	2021	2022
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.

		2021		2022	
		Closing rate(1)	Average rate(2)	Closing rate(1)	Average rate(2)
Australian dollar	AUD	1.5630	1.5774	1.5779	1.5174
Canadian dollar	CAD	1.4404	1.4800	1.4483	1.3704
Swiss Franc	CHF	1.0356	1.0796	0.9866	1.0011
Czech Koruna	CZK	24.8590	25.6351	24.1475	24.5338
Danish Krone	DKK	7.4364	7.4369	7.4360	7.4391
British Pound Sterling	GBP	0.8397	0.8584	0.8865	0.8545
Hong-Kong dollar	HKD	8.8530	9.1859	8.3254	8.2259
Hungarian Forint	HUF	369.6350	358.5921	400.6400	392.9933
Shekel	ILS	3.5220	3.8169	3.7630	3.5472
Japenese Yen	JPY	130.6250	130.3308	141.0900	138.2608
Won	KRW	1,349.5850	1,354.3229	1,340.26	1,354.65
Mexican Peso	MXN	23.0995	24.0116	20.7470	21.0496
Norwegian Krone	NOK	10.0094	10.1651	10.5332	10.1214
New Zealand dollar	NZD	1.6595	1.6736	1.6890	1.6628
Swedish Krona	SEK	10.2695	10.1533	11.1200	10.6618
Singapore dollar	SGD	1.5303	1.5860	1.4328	1.4477
New Turkish Lira	TRY	15.4162	10.8190	19.9883	17.4631
US Dollar	USD	1.1352	1.1816	1.0679	1.0505

(1) Rate observed at 4:45 pm on the last business day of the month of December.

(2) Average of the closing rates used by the Dexia Crédit Local group.

4.7. 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 the reform of the reference indices as at 31 December 2022

Current reference indices (in EUR million)	Financial assets (excluding derivatives) impacted by the reform	Financial liabilities (excluding derivatives) impacted by the reform	Derivatives impacted by the reform
	Outstanding Capital		Notional amount
LIBOR GBP(1)	*266*	*4,829*	*680*
LIBOR USD	*568*	*6,115*	*32,549*
CDOR			*1,362*

The outstanding amounts presented have a maturity greater than the date of cessation of the index.

(1) Contracts qualified as "tough legacy" whose renegotiation is particularly difficult and which benefit from 2022 onwards and for a limited period of time from "synthetic GBP LIBOR" based on the new risk-free rate reference.

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)	2021	2022
Interest income	**2,289**	**2,680**
a) Interest income on assets not measured at fair value through P/L	**821**	**920**
Financial assets at amortised cost - Interbank loans and advances	3	67
Financial assets at amortised cost - Customer loans and advances(3)	383	447
Financial assets at amortised cost - Debt securities	389	364
Financial assets at fair value through OCI	42	41
Other	4	2
b) Interest income on assets measured at fair value through P/L	**1,151**	**1,545**
Financial assets mandatorily at fair value through P/L	98	58
Derivatives held for trading	230	451
Hedging derivatives	823	1,036
c) Interests received on financial liabilities	**317**	**215**
Interests received on financial liabilities(2)	317	215
Interest expense	**(2,230)**	**(2,620)**
a) Interest expense on liabilities not measured at fair value	**(519)**	**(618)**
Interbank borrowings and deposits	(59)	(59)
Customer borrowings and deposits	(12)	(57)
Debt securities	(420)	(474)
Amounts covered by sovereign guarantees(1)	(26)	(25)
Other	(2)	(2)
b) Interest expense on liabilities measured at fair value	**(1,349)**	**(1,764)**
Lliabilities designated at fair value through P/L	(32)	(21)
Derivatives held for trading	(212)	(394)
Hedging derivatives	(1,105)	(1,349)
c) Interests paid on financial assets	**(362)**	**(237)**
Interests paid on financial assets(2)	(362)	(237)
Net interest income	**59**	**60**

(1) This item includes fees paid to the States for the guarantees they granted to Dexia's debt as well as the amount of the deferred conditional guarantee fee. See also note 4.4.c Related-party transactions - Transactions with the Belgian, French and Luxembourg States.
(2) Dexia Crédit Local presents separately positive interests on financial liabilities and negative interests on financial assets.
(3) Of which relating to leases : EUR 24 millions in 2022 (EUR 25 millions in 2021).

5.2. Fees and Commissions

	2021			2022		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	3	(2)	1	2	0	2
Payment services	0	(4)	(4)	0	(6)	(6)
Services on securities other than custodial services	0	(1)	0	0	(1)	0
Custodial services	2	0	2	0	0	0
Intermediation on bond lending and reverse repo	0	(8)	(8)	0	(8)	(8)
Other	0	0	0	2	0	2
TOTAL	**6**	**(16)**	**(10)**	**5**	**(16)**	**(11)**

Fees and commissions related to financial assets and financial liabilities which are not at fair value through profit or loss are below materiality.

5.3. Net gains (losses) on financial instruments at fair value through profit or loss

(EUR million)	2021	2022
Dividend income on non trading equity instruments mandatorily at FVTPL	2	0
Net trading income[5]	8	(26)
Net result of hedge accounting	(107)	256
Net result of financial liabilities designated at fair value through profit or loss[1]	18	11
Net result on non-trading financial assets mandatorily at fair value through profit or loss[2]	25	24
Funding costs associated with non-collateralised derivatives (FVA)[3][4]	25	23
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment)[3]	(11)	45
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)[3]	(13)	(11)
Net result of foreign exchange transactions	(16)	23
TOTAL	**(70)**	**346**
(1) among which derivatives included in a fair value option strategy	*(56)*	*(140)*
(2) among which derivatives included in an economic hedge strategy	*133*	*118*

(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 -25 million (EUR -30 million in 2021) of interest income and expenses on trading derivatives.
Also includes an amount of EUR 15million (EUR 43 million in 2021) 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)	2021	2022
Fair value hedges	**(34)**	**265**
Fair value changes of the hedged item attributable to the hedged risk	(2,400)	(7,930)
Fair value changes of the hedging derivatives	2,366	8,195
Cash flow hedges	**(73)**	**(8)**
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	(73)	(8)
Portfolio hedge	**(1)**	**0**
Fair value changes of the hedged item	(190)	(417)
Fair value changes of the hedging derivatives	189	417
TOTAL	**(107)**	**256**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	**3**	**3**

Fair value hedge ineffectiveness includes EUR 329 million income related to the transition of fair value derivative contracts indexed to GBP, JPY and CHF LIBOR, recorded in the context of the IBOR benchmark reform, as well as EUR +43 million income related to the restructuring of inflation-indexed hedging derivatives
The balance of the variation is mainly linked to the evolution of the prime rates, i.e. the difference between the spot and short-term rates (CBS) of the CIRS (Currency Interest Rate Swaps) and to the volatility linked to these same CBS when the cash collaterals are paid in a currency other than the nominal currency of the derivative.
The cash flow hedging result includes an amount of EUR -8 million (EUR -79 million in 2021) 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)	2021	2022
Net gain (loss) on disposals of loans measured at FVOCI[1]	(22)	(6)
Net gain (loss) on disposals of bonds measured at FVOCI[2]	(29)	0
TOTAL	**(51)**	**(6)**

(1) In 2021, the item included a loss of EUR 16 million on the sale of a portfolio of loans to the French local public sector.
(1) In 2021, the item included 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)	2021	2022
Net gain (loss) on disposals of loans measured at AC[1][2]	29	(12)
Net gain (loss) on disposals of bonds measured at AC[1][3]	(40)	(24)
Net gains (losses) on modified assets[4]	6	0
Net gain (loss) on redemption of borrowings and deposits	(5)	(7)
TOTAL	**(10)**	**(43)**

(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) Is mainly due to sales made in order to reduce the concentration risk on certain positions.
(4) See note 7.2.i.

5.6. Other income

(in EUR million)	2021	2022
Litigations[1]	50	50
Other income[2]	8	10
TOTAL	**58**	**60**

(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 millions)	2021	2022
Provisions for litigations[1]	(38)	(35)
Other expenses[2]	(14)	(1)
TOTAL	**(52)**	**(36)**

(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.

Details of the litigations can be found in Note 3.6.

5.8. Operating expenses

(in EUR million)	2021	2022
Payroll costs	(78)	(81)
General and administrative expenses	(179)	(195)
TOTAL	**(257)**	**(276)**

a. Payroll Costs

(in EUR million)	2021	2022
Compensation and salary expense	(53)	(54)
Social security and insurance expense	(21)	(21)
Employee benefits	(5)	(6)
Restructuring costs	5	2
Other	(3)	(3)
TOTAL	**(78)**	**(81)**

b. Employee information

	2021	2022
(Average full time equivalent)	Fully consolidated	Fully consolidated
Executive staff	11	10
Administrative staff	468	459
TOTAL	**479**	**469**

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	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**

	2022				
(Average full time equivalent)	**France**	**Italy**	**Other Europe**	**USA**	**Total**
Executive staff	6	2	1	1	10
Administrative staff	363	72	17	7	459
TOTAL	**369**	**74**	**18**	**8**	**469**

c. General and administrative expenses

(in EUR million)	2021	2022
Cost of premises	(3)	(3)
Rent expense[1]	(3)	(2)
Fees	(39)	(51)
IT expense	(64)	(59)
Software, research and development	(1)	0
Maintenance and repair	(1)	(1)
Insurance (except related to pensions)	(2)	(2)
Other taxes[2]	(54)	(64)
Other general and administrative expenses	(12)	(13)
TOTAL	**(179)**	**(195)**

(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 -64 million in 2022 and EUR -51 million in 2021) 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)	2021	2022
Depreciation of other tangible fixed assets	(7)	(7)
Amortization of intangible assets	(12)	(4)
TOTAL	**(19)**	**(10)**

Impairment

Nil.

Losses or gains

Nil.

5.10. Cost of credit risk

	2021				
(in EUR million)	**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.

(in EUR million)	2022				
	Stage 1	Stage 2	Stage 3	(POCI)[1]	TOTAL
Financial assets at amortised cost - Customer loans and advances	(1)	17	(2)	(1)	**14**
Financial assets at amortised cost - Interbank debt securities			(4)		**(4)**
Financial assets at amortised cost - Customer debt securities	(4)	(15)			**(18)**
Financial assets at fair value through OCI - Customer loans and advances		7			**7**
Other accounts receivable			(2)		**(2)**
Off-balance sheet commitments		1			**1**
TOTAL	**(5)**	**10**	**(7)**	**(1)**	**(3)**

(1) POCI: Purchased or originated credit impaired debt instruments.

Detail

Stage 1	2021			2022		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Customer loans and advances		1	1	(1)		**(1)**
Financial assets at amortised cost - Interbank debt securities		1	1			
Financial assets at amortised cost - Customer debt securities	(7)	17	10	(10)	6	**(4)**
TOTAL	**(8)**	**20**	**13**	**(11)**	**6**	**(5)**

Stage 2	2021			2022		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Financial assets at amortised cost - Interbank loans and advances		14	13			
Financial assets at amortised cost - Customer loans and advances	(47)	71	25	(33)	51	17
Financial assets at amortised cost - Interbank debt securities	(1)	70	69			
Financial assets at amortised cost - Customer debt securities	(40)	77	37	(61)	46	(15)
Financial assets at fair value through OCI - Customer loans and advances	(11)	13	1	(5)	11	7
Off-balance sheet commitments	(2)	3		(1)	2	1
TOTAL	**(101)**	**247**	**146**	**(101)**	**111**	**10**

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)**

Stage 3	2022			
(in EUR million)	Additions	Recoveries	Losses	Total
Financial assets at amortised cost - Customer loans and advances	(21)	19		(2)
Financial assets at amortised cost - Interbank debt securities	(59)	57	(2)	(4)
Financial assets at amortised cost - Customer debt securities	(2)	2		0
Financial assets at fair value through OCI - Customer loans and advances		1		0
Other accounts receivable	(2)			(2)
TOTAL	**(85)**	**79**	**(2)**	**(7)**

5.11. Income tax

Detail of tax expense (in EUR million)	2021	2022
Income tax on current year	(2)	(15)
Deferred taxes on current year	(53)	(8)
TAX ON CURRENT YEAR RESULT (A)	**(55)**	**(23)**
OTHER TAX EXPENSE (B)	**0**	**0**
TOTAL (A) + (B)	**(55)**	**(23)**

Effective corporate income tax charge

For large companies (those with a turnover of more than EUR 250 million), pursuant to the Finance Act for 2020, the corporate tax rate is 25% on all taxable profits for the financial years 2022 and following. The 3.3% social contribution remains applicable (based on the amount of corporate income tax for the part exceeding EUR 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 since 2022, plus the social security contribution of 3.3%) knowing that no deferred tax asset is recognised. The rate applied to foreign subsidiaries results is the one applicable locally according to the national legislation.
The average tax rate recorded in 2021 is -24.78% and 27.88% in 2022.
The difference with the French rate can be explained as follows:

(in EUR million)	2021	2022
Net income before tax	**(222)**	**82**
Tax base	**(222)**	**82**
Statutory tax rate	28.41%	25.83%
Theoretical corporate income tax at the standard rate	**63**	**(21)**
Impact of differences between foreign tax rates and the standard French tax rate	9	11
Tax effect of non-deductible expenses	(4)	(15)
Tax effect of non-taxable income	1	0
Other additional taxes or tax savings	(7)	8
Tax effect from reassessment of unrecognised deferred tax assets	(116)	(5)
Tax on current year	**(55)**	**(23)**
Effective tax rate	**-24.78%**	**27.88%**

Tax consolidation

Dexia SA établissement stable (DSA ES) in France is the head of the tax consolidation group, bringing together the following companies:

- Dexia Crédit Local
- 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 Crédit Local'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)	31/12/2021	31/12/2022
Assets to be delivered	260	3,188
Liabilities to be received	5,735	2,272

6.2. Guarantees

(in EUR million)	31/12/2021	31/12/2022
Guarantees given to credit institutions	251	23
Guarantees given to customers	428	369
Guarantees received from credit institutions	0	75
Guarantees received from customers	2,736	2,452
Guarantees received from the States(1)	48,104	37,564

(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)	31/12/2021	31/12/2022
Unused lines granted to credit institutions	8	7
Unused lines granted to customers	287	251
Unused lines granted from credit institutions	2,111	1,718
Unused lines granted from customers	205	192

6.4. Other commitments

(in EUR million)	31/12/2021	31/12/2022
Financial instruments given as collateral and other commitments given	24,982	17,365
Financial instruments received as collateral and other commitments received	3,061	6,293

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.

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.

(in EUR million)	31/12/2021 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

(in EUR million)	31/12/2022 Carrying amount	Fair value	Unrecognised Fair value adjustment
Cash and central banks	2,024	2,024	0
Debt securities	26,774	22,578	(4,195)
Interbank loans and advances	6,881	6,879	(2)
Customer loans and advances	20,734	18,869	(1,865)
Interbank borrowings and deposits	3,149	3,139	(10)
Customer borrowings and deposits	4,765	4,729	(36)
Debt securities	36,690	36,054	(636)
Subordinated debt	23	23	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

	31/12/2021			
(in EUR million)	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
** Trading derivatives*		*5,460*	*1,820*	*7,281*
Financial assets mandatorily 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*	*0*	*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

	31/12/2021			
(in EUR million)	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**

Fair value of financial assets

	31/12/2022			
(in EUR million)	Level 1	Level 2	Level 3	Total
Cash and central banks		2,024		2,024
Financial assets at fair value through profit and loss		756	1,491	2,247
** Trading derivatives*		*756*	*1,491*	*2,247*
Financial assets mandatorily at FVTPL		714	536	1,250
** Debt securities*		*5*		*5*
** Loans and advances*		*709*	*533*	*1,242*
** Equity instruments*			*2*	*2*
Hedging derivatives		1,700	59	1,759
Financial assets at fair value through OCI		1,053	528	1,581
** Debt securities*		*451*		*451*
** Loans and advances*		*575*	*524*	*1,099*
** Equity instruments*		*27*	*4*	*31*
Financial assets at amortised cost - Debt securities	13,794	8,375	409	22,578
Financial assets at amortised cost - Interbank loans and advances		6,835	44	6,879
Financial assets at amortised cost - Customer loans and advances		12,205	6,664	18,869
TOTAL	**13,794**	**33,663**	**9,731**	**57,188**

Fair value of financial liabilities

(in EUR million)	31/12/2022 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss		2,025	2,101	4,126
** Financial liabilities designated at fair value*		*456*		*456*
** Trading derivatives*		*1,568*	*2,101*	*3,669*
Hedging derivatives		4,363	3,989	8,352
Interbank borrowings and deposits		1,896	1,243	3,139
Customer borrowings and deposits		4,613	115	4,729
Debt securities	97	29,015	6,943	36,054
Subordinated debt		3	19	23
TOTAL	**97**	**41,916**	**14,411**	**56,423**

d. Transfer between level 1 and level 2

The tables hereunder present the amounts of financial instruments at fair value, for which fair value measurement is recurring, still in the books at the end of the period and for which the methodology of valuation has been changed between level 1 and level 2.

(in EUR million)	31/12/2021 From 2 to 1	31/12/2022 From 1 to 2
Financial assets at fair value through othe comprehensive income - debt securities	57	52
Total financial assets	57	52

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

e. Level 3 reconciliation

(in EUR million)	2021 Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/ losses	Sales	Settlement	Transfer into level 3	Transfer out of level 3	Other movements[1]	Closing
Non-trading financial assets mandatorily at fair value through 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**
Trading derivatives	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.

(in EUR million)	2022 Opening balance	Total gains/ losses in P&L	Unrea-lised or deferred gains/ losses	Acquisiti-ons	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	*2*					*(2)*				*0*
Loans and advances	*916*	*(69)*			*(128)*	*(182)*	*1*		*(5)*	*533*
Equity instruments	*2*									*2*
Trading derivatives	1,820	(171)					12	(131)	(39)	1,491
Hedging derivatives	73	(14)								59
Financial assets at fair through other comprehensive income										
Debt securities										
Loans and advances	*698*	*9*	*(18)*	*2*	*(92)*	*(65)*	*1*		*(12)*	*524*
Equity instruments	*5*									*5*
TOTAL FINANCIAL ASSETS	**3,516**	**(245)**	**(18)**	**2**	**(220)**	**(249)**	**13**	**(131)**	**(55)**	**2,614**
Trading derivatives	2,406	178					7	(68)	(422)	2,101
Hedging derivatives	10,508	(5,968)	5					(502)	(54)	3,989
TOTAL FINANCIAL LIABILITIES	**12,914**	**(5,790)**	**5**	**0**	**0**	**0**	**7**	**(570)**	**(476)**	**6,090**

(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 -54 million recognised in the income statement . On the liabilities side, they amount to EUR -507 million recognised in the income statement and EUR +31 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 injects a certain degree of uncertainty into the valuation, an analysis of the fair value sensitivity of Level 3 instruments to alternative assumptions was performed as at 31 December 2022. 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 tables hereunder summarize 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.

2021					
Financial instruments	**Non observables inputs**	**Alternatives assumptions**		**Impacts on fair value measurement**	
		Worst case	**Best case**	**Worst case (M€)**	**Best case (M€)**
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

2022					
Financial instruments	**Non observables inputs**	**Alternatives assumptions**		**Impacts on fair value measurement**	
		Worst case	**Best case**	**Worst case (M€)**	**Best case (M€)**
Bonds	Credit spread	+/- one standard deviation		(0.002)	0.002
Loans	Credit spread	612 bps	65 bps	(127.0)	55.5
CDS	Credit spread	+/- one standard deviation		(27)	8.6
Derivatives	Interest Rate	+/- one standard deviation		(2.3)	2.3
	Spread of CBS	+/- one standard deviation		(3.1)	3.1
	Inflation	+/- one standard deviation		(0.9)	0.9
Total				(160.3)	70.5

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 valorisation and consist of applying a shock of +/- one standard deviation to the credit spreads. The sensitivity of the bonds' fair value is estimated range from -2,344 EUR (reflecting a deterioration in the above-mentioned inputs) to +2,344 EUR (reflecting an improvement in the above-mentioned inputs), while the sensitivity of the CDS' fair value is estimated range from EUR -27 million in the adverse scenario to EUR +8.6 million in the favorable scenario. As at 31 December 2021, the sensitivity of the bonds' fair value was estimated range from -26,934 EUR to +26,934 EUR, and that of the CDS' fair value was estimated range from EUR -11.4 million to EUR +8.6 million.

For the loans classified in level 3, the alternative assumptions consist in using the minimum and maximum spreads observed when valuating similar assets by Dexia Crédit Local. The impact of those alternative assumptions is estimated to EUR -127 million for the worst case scenario and to EUR +55.5 million for the best case scenario (vs. EUR -218 million and EUR +102.2 million respectively, as at 31 December 2021).

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 range between EUR -6.4 million for the worst case scenario and EUR +6.4 million for the best case scenario (vs. EUR -21.3 million and EUR +21.3 million respectively, as at 31 December 2021).

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

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

7.2. Credit risk exposure

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-based 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 Crédit Local will now publish an EAD net of provisions as defined by IFRS 9.

a. Concentration by credit risk

Concentration by geographic region

(in EUR million)	31/12/2021	31/12/2022
France	19,528	9,487
Italy	16,335	13,406
Great Britain	18,116	11,114
Germany	743	766
United States	3,697	3,239
Spain	3,869	2,991
Japan	2,873	2,157
Portugal	3,381	2,378
Other European countries(2)	1,761	2,144
Canada	378	247
Central and Eastern Europe(3)	643	423
Switzerland	31	30
South and Central America	43	52
Scandinavian countries	63	97
Southeast Asia	5	3
Tunisia	51	41
Other(1)	1,578	1,184
TOTAL	**73,093**	**49,761**

(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

(in EUR million)	31/12/2021	31/12/2022
Central governments	25,825	15,032
Local public sector[(1)]	28,128	20,696
Financial institutions	4,507	4,276
Corporates	5,815	3,031
Monoline	1,254	1,142
ABS/MBS	1,160	1,036
Project finance	5,921	4,207
Others (including Individuals, SME, self-employed)	484	339
TOTAL	**73,093**	**49,761**

(1) As at 31/12/2022, this category includes: EUR 6,006 million on Italy, EUR 488 million on Portugal and EUR 2,253 million on Spain and as at 31/12/2021, this category included: 7,439 million on Italy, EUR 520 million on Portugal and EUR 2,683 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.

Exposure at Default (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 or stage 3 may have rating grades AAA to AA-, due to the effect of the guarantees.

Exposure at Default (EAD COREP)	**31/12/2022**											
	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	5,142	27		9,763	15				41			
Local public sector	2,412	451		10,176	2,702	23	29	3,500	69	1	1	
Financial institutions	154			2,442	133		1					
Corporates				2,277	729			16				
Monolines				672	450	20						
ABS/MBS	1,009						28					
Project finance				1,656	1,167		24	574	144			
Others (including Individuals, sme, self-employed)	73			7								

(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

(in EUR million)	31/12/2021 AAA to AA-	31/12/2021 A+ to BBB-	31/12/2021 Non "investment grade"	31/12/2022 AAA à AA-	31/12/2022 A+ à BBB-	31/12/2022 Non "investment grade"
Central governments	38			36		
Local public sector	15		11	13		10

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

(in EUR million)	31/12/2021 Credit risk exposure before financial effect of the collateral	31/12/2021 Financial effect of the collateral	31/12/2021 Credit risk exposure	31/12/2022 Credit risk exposure before financial effect of the collateral	31/12/2022 Financial effect of the collateral	31/12/2022 Credit risk exposure
a) Assets not subject to impairment						
Non trading financial assets mandatorily at FVTPL	2,008		2,008	1,248		1,248
Trading derivatives			2,417			1,067
Hedging derivatives			71			87
b) Assets subject to impairment						
Financial assets at fair value through OCI (excluding variable income securities)	1,883		1,883	1,556		1,556
Financial assets at amortised cost	64,434	105	64,328	50,757	6,673	44,085
c) Off balance sheet items						
Loans commitments granted	131		131	118		118
Assets pledged as collateral (1)	10,156	8,385	1,772	5,502	4,240	1,262
Other financial instruments	484		484	339		339
TOTAL			**73,093**			**49,761**

(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 359 million in 2021 to EUR 234 million in 2022. The decrease in forborne exposures results from early redemptions but also from the absence of significant entries into forbearance in 2022.

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

There are no assets of this type in 2022 and in 2021.

e. Reconciliation of loss allowance amount variation

(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 adjust-ments [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		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 stage 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 stage 2 to stage 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.

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(in EUR million)	2022 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 adjust-ments [3]	As at 31 Dec.
Allowances for financial assets without increase in credit risk since initial recognition (Stage 1)	**9**	**(15)**		**19**			**14**
Financial assets at amortised cost	**9**	**(15)**		**19**			**13**
- Customer debt securities	9	(15)		19			12
- Customer loans and advances	0	1					1
Allowances for financial assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)[1]	**153**	**13**		**(22)**		**(22)**	**121**
Financial assets at amortised cost	**141**	**19**		**(21)**		**(22)**	**116**
- Customer debt securities	48	19		(4)		2	66
- Customer loans and advances	92			(17)		(25)	50
Financial assets at fair value through other comprehensive income	**12**	**(6)**		**(1)**			**5**
- Customer loans and advances	12	(6)		(1)			5
Allowances for credit-impaired debt instruments (Stage 3)[2]	**151**			**5**		**(3)**	**152**
Financial assets at amortised cost	**144**			**3**		**(3)**	**144**
- Interbank debt securities	56			2		(4)	55
- Customer debt securities	2						2
- Customer loans and advances	85			1		1	87
Financial assets at fair value through other comprehensive income	**3**						**3**
- Customer loans and advances	3						3
Other accounts receivable	**4**			**1**			**5**
Allowances for purchased or originated credit impaired debt instruments	**6**			**1**			**7**
Financial assets at amortised cost	**6**			**1**			**7**
- Customer loans and advances	6			1			7
TOTAL ALLOWANCES FOR FINANCIAL ASSETS	**318**	**(1)**		**2**		**(26)**	**294**
Provisions on commitments and financial guarantees given							
Total provisions on commitments and financial guarantees given (Stage 2)	2						1
Total provisions on commitments and financial guarantees given (Stage 3)	8						8
TOTAL PROVISIONS ON COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	**10**						**10**

(1) In 2022, despite an unfavorable macroeconomic environment, impairment of receivables instruments in stage 2 decrease mainly due to the reduction of EADs as a result of amortization and early repayment.
(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 an error correction with a favorable effect of EUR +25 million on expected credit losses as of January 1, 2022, booked against opening equity, linked to data quality work carried out during the first half of the year which revealed that the original ratings of some counterparties were incorrect.

In 2022, 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)	2021	2022
Financial assets at amortised cost	(13)	(13)

g. Reconciliation of gross carrying variation

	2021								
	As at 1 Jan.	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3		Other varia-tions	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	**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*							*0*	*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.

(in EUR million)	2022								
	As at 1 Jan.	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3		Other variations	As at 31 Dec.
		To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3		
Amortised cost	**76,018**							**(21,349)**	**54,669**
- Debt securities[(1)]	34,669							(7,761)	26,908
* *stage 1*	*29,171*	*(884)*	*348*					*(7,084)*	*21,551*
* *stage 2*	*5,360*	*884*	*(348)*					*(657)*	*5,239*
* *stage 3*	*137*							*(20)*	*118*
-Interbank loans and advances[(2)]	17,306							(10,425)	6,881
* *stage 1*	*17,227*							*(10,400)*	*6,828*
* *stage 2*	*79*							*(25)*	*53*
-Customer loans and advances[(3)]	24,043							(3,163)	20,880
* *stage 1*	*18,309*	*(119)*	*507*				*2*	*(2,318)*	*16,380*
* *stage 2*	*5,382*	*119*	*(507)*	*(13)*	*32*			*(816)*	*4,197*
* *stage 3*	*352*			*13*	*(32)*		*(2)*	*(29)*	*302*
FVOCI	**1,886**							**(328)**	**1,558**
-Debt securities	368							83	451
* *stage 1*	*368*							*83*	*451*
-Customer loans and advances[(4)]	1,518							(411)	1,107
* *stage 1*	*651*	*(54)*	*198*					*(222)*	*574*
* *stage 2*	*836*	*54*	*(198)*					*(186)*	*505*
* *stage 3*	*31*							*(3)*	*28*
Other accounts receivable	**89**							**25**	**114**
* *stage 1*	*85*							*24*	*109*
* *stage 3*	*4*							*1*	*5*

(1) Decrease of EUR -7.8 billion, mainly due to sales made to reduce the Group's concentration risk for EUR -0.5 billion, and to the impact of the evolution of interest rates on fair value hedges for EUR -6.1 billion.
(2) Decrease of EUR -10.4 billion, mainly due to the decrease of cash collateral paid by EUR -10.4 billion.
(3) Decrease of EUR -3.2 billion, mainly due to early repayments of loans for EUR -0.2 billion, and to the impact of the evolution of interest rates on fair value hedges for EUR -4.1 billion and on cash collateral paid for EUR -1.7 billion. On the other hand, reverse repo operations were up by EUR +3.6 billion.
(4) Decrease of EUR -0.4 billion, mainly due to sales made as part of the proactive deleveraging strategy for EUR -0.3 billion.

The transfers are those as at 31 December 2022.

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	2022
Amortised cost before modification	502	0
Gain or loss on the first day of the transaction	6	0
Carrying amount after modification	508	0

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)	31/12/2021 Fair values of collateral held	31/12/2021 Fair value of collateral sold or repledged	31/12/2022 Fair values of collateral held	31/12/2022 Fair value of collateral sold or repledged
Debt securities	0	0	3,598	3,598
TOTAL	**0**	**0**	**3,598**	**3,598**

In 2022, collateral is obtained in connection with the repurchase agreement activities.

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

(in EUR million)	31/12/2021	31/12/2022
Carrying amount of financial assets pledged as collateral for liabilities	45,862	26,185

The amount of EUR 26 billion in 2022 an of EUR 46 billion in 2021 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 1,025 million for 2022.

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

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.

By virtue of the successful implementation of the simplification efforts undertaken, in particular on its derivatives portfolio, Dexia Crédit Local has reached the threshold allowing it to use the simplified approach within the framework of the prudent valuation. Consequently, since the first quarter of 2022, Dexia Crédit Local has used the simplified approach to determine the level of Prudent Valuation Adjustment (PVA) taken into account in the regulatory capital.

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 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 2022, total consumption in VaR was EUR 2.0 million against EUR 1.2 million at the end of 2021.

(in EUR million) **VaR (10 days, 99%)**	**2021**	**2022**
Average	1.1	1.9
End of period	1.2	2.0
Maximum	1.5	3.5
Minimum	0.9	0.9

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 to changes in the fair value of the assets concerned until they are disposed of. However, this sensitivity continued to fall during 2022 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 -0.7 million per basis point as at 31 December 2022 against EUR -1.1 million per basis point as at 31 December 2021. The portfolio classified at fair value through profit or loss had a sensitivity to an increase in credit spreads of EUR -0.6 million per basis point as at 31 December 2022 compared to EUR -1.1 million per basis point as at 31 December 2021. Of these assets classified at fair value through profit or loss, those not meeting the SPPI criterion had a lower sensitivity at EUR -0.4 million per basis point at the end of 2022 against EUR -0.7 million per basis point 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.

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 -40.8 million as at 31 December 2022, against EUR -39.6 million as at 31 December 2021. This is in line with the ALM strategy, which seeks to minimise net interest margin volatility.

(in EUR million)	2021	2022
Sensitivity	(39.6)	(40.8)
Limit	+/-130	+/-130

7.5 Liquidity risk

A. ANALYSIS BY TERM TO MATURITY

A large part of the balance sheet constits of the revaluation of assets, liabilities and derivatives. As such revaluations vary constantly and cannot therefore be linked to the maturity of the financial instruments, they are presented under a separate column.

Demand deposits and saving deposits are included in the "Demand" column, even though they have no fixed repayment date.

a. Analysis of assets

	31/12/2021									
(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	9,753									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 liability. The ultimate maturity is the maturity date of the derivative.

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2021 De-mand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined 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.

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.

a. Analysis of assets

(in EUR million)	31/12/2022 Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity	Accrued interest	Fair value adjust-ment	Impair-ment	Total
Cash and central banks	2,024									2,024
Financial assets at fair value through profit or loss		65	120	405	656	10	452	1,789		3,497
of which Trading derivatives							*436*	*1,811*		*2,247*
Hedging derivatives							98	1,661		1,759
Financial assets at fair value through OCI		356	108	347	804	31	10	(68)	(8)	1,581
Financial assets at amortised cost - Debt securities	1	16	184	2,133	22,026		265	2,282	(135)	26,774
Financial assets at amortised cost - Interbank loans and advances[(1)]	1,090	14	15	27	8	5,723	9	(3)		6,881
Financial assets at amortised cost - Customer loans and advances[(1)]		3,838	676	2,051	9,049	4,076	70	1,120	(145)	20,734
Fair value revaluation of portfolio hedge								(116)		(116)
Accruals and other assets		274				13			(5)	282
Subtotal financial assets used to calculate the gap	*3,115*	*4,563*	*1,102*	*4,964*	*32,542*	*9,853*				
Non-financial assets						26				26
TOTAL	**3,115**	**4,563**	**1,102**	**4,964**	**32,542**	**9,879**	**905**	**6,666**	**(294)**	**63,442**

(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 liability. The ultimate maturity is the maturity date of the derivative.

b. Analysis of liabilities excluding shareholders' equity

	31/12/2022								
(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				108	303		330	3,384	4,126
of which Trading derivatives							*330*	*3,339*	*3,669*
Hedging derivatives							208	8,144	8,352
Financial liabilities at amortised cost - Interbank borrowings and deposits[(1)]	46	877	209	153	375	1,476	13		3,149
Financial liabilities at amortised cost - Customer borrowings and deposits[(1)]	232	4,139	4	1	268	113	8		4,765
Financial liabilities at amortised cost - Debt securities		6,110	9,372	21,171	1,547		202	(1,712)	36,690
Fair value revaluation of portfolio hedge								(2)	(2)
Subordinated debts					19	3			23
Accruals and other liabilities	24	316	14	8	21	5			387
Subtotal financial liabilities used to calculate the gap	*302*	*11,442*	*9,598*	*21,440*	*2,533*	*1,597*			
Non-financial liabilities						132			132
TOTAL	**302**	**11,442**	**9,598**	**21,440**	**2,533**	**1,729**	**762**	**9,815**	**57,622**

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

Net liquidity gap as at 31/12/2022

(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 31/12/2022	**2,813**	**(6,879)**	**(8,496)**	**(16,477)**	**30,009**	**8,256**

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

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

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

7.6. Currency risk

We also refer to Management Report, chapter Risk Management. FX exposure in Dexia Crédit Local 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.

We also refer to Management Report, chapter Risk Management. Even if economic FX positions are close to zero, capital ratios remain sensitive to FX rate evolution. In particular, a large part of the groups RWAs are linked to other than the euro denominated assets (GBP 44%, USD 8%, JPY 8%). Thus, if the EUR depreciates against other currencies, the RWA of other than the euro assets will weight 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 15 million in 2023, without any economic impact.

Classification by original currency (in EUR million)	31/12/2021 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**

Classification by original currency (in EUR million)	31/12/2022 EUR	GBP	USD	JPY	Other currencies	Total
Total assets	38,670	10,186	13,740	596	251	63,442
Total liabilities and shareholders' equity	38,723	10,208	13,664	596	251	63,442
NET BALANCE SHEET POSITION	**(54)**	**(23)**	**76**	**0**	**0**	**0**

7.7. 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. financial assets classified at FVTPL under IFRS 9 and are no longer eligible as hedging instruments contrary to the treatment based on the classification of these assets under IAS 39. 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 USD and Euribor), and cross cur-

rency 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 2022, the notional amount of hedging instruments for which there are uncertainties related to the interest rate reform amounts to EUR 2,892 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

	31/12/2021				31/12/2022			
	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	**55,864**	**478**	**13,621**	**2,365**	**45,595**	**768**	**6,503**	**8,195**
OTC options	10		2	1	8			1
OTC other	55,854	478	13,619	2,365	45,587	768	6,503	8,193
Rate and foreign exchange derivatives (*)	**4,255**	**61**	**2,363**	**1**	**4,289**	**521**	**1,495**	**0**
OTC options	4,255	61	2,363	1	4,289	521	1,495	0
OTC OTHER	**60,119**	**538**	**15,984**	**2,366**	**49,884**	**1,289**	**7,998**	**8,195**

(*) 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".

As a result of the sharp rise in interest rates, the values of hedging derivatives and changes in hedged items in assets and liabilities have varied significantly.

2. Detail of derivatives designated as cash flow hedges

	31/12/2021				31/12/2022			
	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	**359**	**3**	**104**	**34**	**288**	**1**	**14**	**73**
OTC other	359	3	104	34	288	1	14	73
Foreign exchange derivatives (*)	**2,273**	**109**	**278**	**28**	**2,354**	**234**	**193**	**41**
OTC other	2,273	109	278	28	2,354	234	193	41
TOTAL	**2,632**	**112**	**381**	**62**	**2,642**	**234**	**207**	**114**

(*) The line "Foreign exchange derivatives" includes de 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".

As a result of the sharp rise in interest rates, the values of hedging derivatives and changes in hedged items in assets and liabilities have varied significantly.

(in EUR million)	31/12/2021	31/12/2022
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

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3. Detail of derivatives designated in portfolio hedge of interest rate risk

	31/12/2021			31/12/2022		
	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	5,286	12	349	5,590	235	147
TOTAL	**5,286**	**12**	**349**	**5,590**	**235**	**147**

As a result of the sharp rise in interest rates, the values of hedging derivatives and changes in hedged items in assets and liabilities have varied significantly.

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

Nil.

b. Hedged items by risk category for each type of hedge

1. Fair value hedges

	31/12/2021			31/12/2022		
(in EUR million)	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Carrying amount of the hedged item	Accumulated amount of hedge adjustments included in the carrying amount of assets/liabilities	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness
Financial assets at fair value through OCI	658	65	(109)	673	10	(238)
Interest rate risk	*658*	*65*	*(109)*	*673*	*10*	*(238)*
Financial assets at amortised cost - Debt securities	27,522	8,617	(1,600)	18,932	2,282	(5,774)
Interest rate risk	*27,522*	*8,617*	*(1,600)*	*18,932*	*2,282*	*(5,774)*
Financial assets at amortised cost - Interbank loans and advances	65	(2)	(10)	42	(3)	(1)
Interest rate risk	*65*	*(2)*	*(10)*	*42*	*(3)*	*(1)*
Financial assets at amortised cost - Customer loans and advances	11,770	5,206	(1,456)	7,340	1,120	(3,966)
Interest rate risk	*11,770*	*5,206*	*(1,456)*	*7,340*	*1,120*	*(3,966)*
Interbank borrowings and deposits	215	21	(5)			(21)
Interest rate risk	*215*	*21*	*(5)*			*(21)*
Debt securities	39,222	299	(770)	28,694	(1,712)	(2,028)
Interest rate risk	*39,222*	*299*	*(770)*	*28,694*	*(1,712)*	*(2,028)*
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**578**	**13,565**	**(2,400)**	**(1,707)**	**5,121**	**(7,930)**

2. Cash flow hedges

(in EUR million)	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	31/12/2022 Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	31/12/2022 Cash flow hedge reserve	31/12/2022 Cash flow hedge reserve for discontinued hedges
Financial assets at fair value through OCI	(2)	10		3	8	
Foreign exchange risk	*(2)*	*10*		*3*	*8*	
Financial assets at amortised cost - Debt securities	(4)	(131)		(22)	(109)	
Foreign exchange risk	*(4)*	*(131)*		*(22)*	*(109)*	
Financial assets at amortised cost - Customer loans and advances	(3)	(41)		(13)	49	
Interest rate risk	*12*	*43*		*81*	*38*	
Foreign exchange risk	*(15)*	*(84)*		*(95)*	*11*	
Interbank borrowings and deposits	126	(86)	(41)	89	(73)	(38)
Interest rate risk	*121*	*(96)*	*(41)*	*86*	*(85)*	*(38)*
Foreign exchange risk	*5*	*10*		*3*	*13*	
TOTAL (FINANCIAL ASSETS LESS FINANCIAL LIABILITIES)	**(135)**			**(122)**		
TOTAL		**(248)**	**(41)**		**(125)**	**(38)**

3. Net investment hedge

Nil.

4. Portfolio fair value hedge of interest rate risk

(in EUR million)	31/12/2021 Carrying amount of the hedged item	31/12/22 Carrying amount of the hedged item
Financial assets at fair value through OCI	153	155
Financial assets at amortised cost - Customer loans and advances	4,117	4,921
Debt securities	111	100

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

1. Derivatives designated as fair value hedges

	31/12/2021				31/12/2022			
	Maturity				Maturity			
(in EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interest rate derivatives								
* Notional amount (in EUR million)	3,187	7,043	23,637	21,998	1,795	6,755	19,738	17,307
* Average fixed interest rate	1.42 %	1.25 %	0.97 %	2.88 %	0.79 %	1.18 %	0.77 %	3.26 %
Interest rate and foreign exchange derivatives								
* Notional amount (in EUR million)			1,407	2,848			1,483	2,806
* Average EUR-USD exchange rate			1.0989				1.0989	
* Average EUR-JPY exchange rate				163.6927			142.0133	162.3715
* Average USD-JPY exchange rate								116.3613
* Average USD-GBP exchange rate								0.5649
* Average fixed interest rate			1.71 %	3.09 %			1.69 %	3.05 %

2. Derivatives designated as cash flow hedges

(in EUR million)	31/12/2021				31/12/2022			
	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)			181	177	88	61	36	103
* Average fixed interest rate			3.03 %	3.97 %	1.57 %	5.86 %	3.93 %	3.97 %
Foreign exchange derivatives								
* Notional amount (in EUR million)			2,103	170		1,405	770	180
* Average USD-GBP exchange rate				0.5079				0.5098
* Average EUR-USD exchange rate			1.1205			1.0842	1.1827	

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

1. Fair value hedges

(in EUR million)	31/12/2021		31/12/22	
	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI	Hedge ineffectiveness recognised in P/L	Hedge ineffectiveness recognised in OCI
	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	(35)		264	
Foreign exchange risk	1		0	
TOTAL	**(34)**		**265**	

2. Cash flow hedges

(in EUR million)	31/12/2021			31/12/22		
	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
	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	109		(75)	81		(8)
Foreign exchange risk	26		2	41		
TOTAL	**135**	**0**	**(73)**	**122**	**0**	**(8)**

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 Crédit Local is now focused on managing its residual assets in run-off, protecting the interests of the Group's State shareholders and guarantors and avoid 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 2021					
NET BANKING INCOME (1)	**11**	**(55)**	**(25)**	**(7)**	**(76)**
As at 31 December 2022					
NET BANKING INCOME (1)	**289**	**97**	**(23)**	**8**	**371**

(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, 2022

To the shareholders' meeting of Dexia Crédit Local,

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, 2022.
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, 2022, 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, 2022, 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.
In addition, the services other than the certification of the financial statements that we have provided during the year to your company and the entities it controls, and which are not mentioned in the management report or the notes to the consolidated financial statements are as follows:
– Consultations on accounting and regulatory matters
– Issuance of certificates and reports required by law and regulations

Justification of Assessments – Key Audit Matter

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, according to our professional judgement, were the most important for the audit of the consolidated financial statements for the year, as well as the responses we have given to these risks.
These assessments were made as part of our audit of the consolidated financial statements taken as a whole and the basis for our opinion expressed above. We do not express an opinion on the individual components of the consolidated financial statements.

Going concern basis of accounting used to prepare the financial statements *(See Notes 1.1.1.2, 1.5 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 12, 2022, is based, among others, on the following assumptions and uncertainties: – Within the framework of the preparation of the 2022 consolidated financial statements, Dexia Crédit Local has retained a "central" macroeconomic scenario, drawn up on the basis of the most recent projections of the European Central Bank, published in December 2022, supplemented by the scenarios published by the national central banks when available ; – 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 continuation of the resolution requires that Dexia Crédit Local maintains a good financing capacity, which relies on the maintenance of Dexia Crédit Local's rating at a level equivalent to or higher than Investment Grade, on the interest of investors for the debt guaranteed by the Belgian and French States, and on Dexia Crédit Local's capacity to collect secured financing. Since January 1, 2022, Dexia Crédit Local's issues benefit from the 2022 guarantee, which extends the 2013 guarantee that expired on December 31, 2022; The assessment of all the elements underlying the business plan must also be made in the context of persistent geopolitical and monetary pressures and disruptions in supply chains, including reductions in the energy supply. 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, 2022 to be a key audit matter.	We have assessed the latest assessment made by the Management Board and the Board of Directors of Dexia Crédit Local on December 12, 2022 of the Group's ability to continue as a going concern over a period of twelve months as from the end of the financial year, as required by IAS 1 "Presentation of Financial Statements", as well as the elements on which this assessment is based 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, 2022 (Liquidity Coverage Ratio, Total Capital, Net Stable Funding Ratio) in light of the requirements applicable at that date to the Dexia Group; – we have discussed with management the assumptions underlying the most recent version of the business plan revised at the end of June 2022 and approved by the Board of Directors on December 12, 2022; – Concerning the events that occurred after the closing date and related to the situation of the banking sector in the United States and in Europe and its consequences on the financial markets, we have taken note of management's assessment of the effects on the 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.

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Classification of assets at amortised cost and business model *(See Notes 1.1.6.2.1, 1.4.1 and 2.5 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. 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. Pursuant to IFRS 9, the change in business model led to the reclassification as of 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 total amount of net gains or losses resulting from the derecognition of financial assets at amortized cost amounts to -43 M€ at December 31, 2022. Given the context of resolution specific to Dexia Crédit Local and the possible accounting impacts in its consolidated financial statements of a change in economic models, we considered the classification of assets at amortized cost as a key point of the audit.	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; – Assess the effectiveness of the control system for monitoring the sale of financial assets; – Reviewing the means of monitoring sales of financial assets classified in the "amortized cost" accounting category. Review of the accounting impacts of disposal of securities and loans classified as "amortized cost"; Control of compliance with the disposal thresholds established by DCL to assess the economic model of its asset portfolios classified at "amortized cost". 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.

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 to ensure operational continuity, Dexia Crédit Local has outsourced, by the end of 2017, 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. Within the framework of the Group's operational transformation, Dexia Crédit Local signed a contract in the first half of 2022 to transfer its credit back-office activity to a new banking service provider, to be implemented in the second half of 2023. 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 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 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 (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 Finally, we have reviewed the disclosures in the notes to the Consolidated Financial Statements on the operational risks with relation to the information systems.

<table>
<tr><th colspan="2">Assessment of credit risk and measurement of impairment
(See Notes 1.1.6.2.5, 1.1.26, 2.4 à 2.7, 3.6, 5.10 and 7.2 to the Consolidated Financial Statements)</th></tr>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The impairment recorded by Dexia 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 uncertain geopolitical and economic conditions, 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 uncertain economical and geopolitical context and assessing the impact of the crisis on credit risk assessment for the relevant counterparties.

As of December 31, 2022, the gross amount of financial assets exposed to credit risk was €59,341 million; total impairment amounted to €294 million and the cost of risk for Dexia Crédit Local in 2022 was a net reversal of -€3 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 geopolitical and economic crisis, we considered the assessment of the level of credit risk to be a key audit matter.</td><td>We have assessed the design and implementation of Dexia 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 on management's assessment of the impacts of the geopolitical and economic 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 geopolitical and economic 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 samplings, the management assumptions and data used for to estimate impairment.
• we also assessed the reasonableness and appropriateness of the macro-economic projections made by management, the definition of various scenarios and the weighting levels adopted by the Group.

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

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, 1.3, 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 €9,731 million in assets and €14,411 million in liabilities on the consolidated balance sheet at December 31, 2022. Finally, Dexia Crédit Local is impacted by the financial instruments benchmark reform (IBOR). As of December 31, 2022, in application of the amendments to IFRS 9 and IAS 39, the transition of Dexia Crédit Local's fair value hedging derivatives indexed on Libor GBP, Libor JPY and Libor CHF to the new indexes via the activation of replacement clauses within the framework of the ISDA protocol generated an impact on the income statement of €329 million, presented under "Net gains or losses on financial instruments at fair value through profit or loss». 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, 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 regarding 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

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.

Due to the technical limitations inherent in the macro-tagging of the consolidated financial statements in accordance with the single European electronic reporting format, it is possible that the content of certain tags in the notes to the financial statements may not be rendered identically to the consolidated financial statements attached to this report.

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, 2022, Deloitte & Associés was in its 15th year of uninterrupted engagement and Mazars in its 27th 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 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, Avril 19, 2023

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS
Virginie CHAUVIN	Laurence KARAGULIAN	Charlotte VANDEPUTTE

2022

Financial statements

Balance sheet

Assets

(in EUR million)	Note	As at 31/12/2021	As at 31/12/2022
I. Cash, central banks and postal checking accounts	*2.1*	9,673	1,771
II. Government securities	*2.2*	9,314	8,810
III. Interbank loans and advances	*2.3*	5,961	6,732
IV. Customer loans and advances	*2.4*	12,540	15,045
V. Bonds and other fixed-income securities	*2.5*	12,667	9,988
VI. Equities and other variable-income securities	*2.6*	0	0
VII. Long-term equity investments	*2.7*	312	537
VIII. Intangible assets	*2.8*	6	3
IX. Tangible fixed assets	*2.9*	2	1
X. Unpaid capital		0	0
XI. Uncalled capital		0	0
XII. Treasury stock		0	0
XIII. Other assets	*2.10*	20,214	9,408
XIV. Accruals	*2.10*	4,457	4,146
TOTAL ASSETS		**75,146**	**56,441**

Liabilities and equity

(in EUR million)	Note	As at 31/12/2021	As at 31/12/2022
I. Central banks and postal checking accounts		0	0
II. Interbank borrowings and deposits	*3.1*	3,377	1,763
III. Customer deposits	*3.2*	8,360	4,262
IV. Debt securities	*3.3*	48,663	38,023
V. Other liabilities	*3.4*	3,246	1,589
VI. Accruals	*3.4*	7,292	6,250
VII. Provisions for risks and charges	*3.5*	536	349
VIII. Subordinated debt	*3.6*	56	56
IX. General banking risks reserve		0	0
EQUITY		**3,616**	**4,149**
XI. Capital stock	*3.7*	279	279
XII. Additional paid-in capital		2,588	2,588
XIII. Reserves and retained earnings		613	749
XVII. Net income (loss) for the year		136	533
TOTAL LIABILITIES AND EQUITY		**75,146**	**56,441**

Off-balance sheet items

(in EUR million)		Note	As at 31/12/2021	As at 31/12/2022
COMMITMENTS GIVEN				
I.	Financing commitments given	*4.1*	1,731	701
II.	Guarantee commitments given	*4.2*	2,190	2,311
III.	Other commitments given	*4.3*	13,229	11,373
COMMITMENTS RECEIVED				
IV.	Financing commitments received	*4.4*	2,111	1,718
V.	Guarantee commitments received	*4.4*	6,842	6,824
VI.	Commitments related to securities	*4.5*	0	0
VII.	Commitments related to foreign currency transactions	*4.6*	49,191	41,101
VIII.	Commitments related to forward and derivative financial instruments	*4.7*	208,362	176,134

Income statement

(in EUR million)		Note	As at 31/12/2021	As at 31/12/2022
I.	Interest income	*5.1*	1,451	1,970
II.	Interest expense	*5.1*	(1,313)	(1,798)
III.	Income from variable-income securities	*5.2*	3	17
IV.	Fee and commission income	*5.3*	2	0
V.	Fee and commission expenses	*5.3*	(13)	(14)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	*5.4*	41	89
VI. B	Net gains (losses) on available-for-sale portfolio transactions	*5.4*	266	71
VI. C	Net gains (losses) on held-to-maturity portfolio transactions	*5.4*	19	32
VII.	Other banking income	*5.8*	3	10
VIII.	Other banking expenses	*5.8*	(1)	(1)
NET BANKING INCOME (LOSS / PROFIT)			**458**	**376**
IX.	General operating expenses	*5.5*	(237)	(254)
X.	Depreciation and amortisation		(12)	(3)
GROSS OPERATING INCOME (LOSS / PROFIT)			**209**	**119**
XI.	Cost of risk	*5.6*	(99)	25
OPERATING INCOME (LOSS / PROFIT) AFTER COST OF RISK			**110**	**144**
XII.	Net gains (losses) on non-current assets	*5.7*	0	400
INCOME (LOSS / PROFIT) BEFORE TAX			**110**	**544**
XIII.	Non-recurring items	*5.9*	26	0
XIV.	Corporate income tax	*5.10*	0	(11)
XV.	Net change in general banking risks reserve		0	0
NET INCOME (LOSS / PROFIT)			**136**	**533**
BASIC EARNINGS PER SHARE (EUR)			0,49	1,91
FULLY DILUTED EARNINGS PER SHARE (EUR)			0,49	1,91

Appendix to the financial statements

Presentation and valuation rules

1.1. Significant events in the financial year

The most significant events of the year concerned the valuation of shareholdings:

- The value of Dexia Crediop was revalued from EUR 75 million in 2021 to EUR 475 million in 2022. The valuation of Dexia Crediop was reviewed within the context of the abandonment of the project to sell the subsidiary and the launch of a merger project with Dexia Crédit Local in 2023.
- The value of Dexia Flobail was reduced from EUR 197 million to EUR 22 million as at 31 December 2022.

The Extraordinary Shareholders' Meeting of Dexia Flobail held on 8 December 2022 decided to reduce the share capital by incorporating negative retained earnings of EUR 16 million and by a cash reimbursement of EUR 175 million. Dexia Flobail's share capital now stands at EUR 6.1 million.

The number of shares remains unchanged, but the nominal value of each share has been reduced from EUR 15.25 to EUR 0.47.

- As at 31 December 2022, the valuation of DCL Evolution in the corporate accounts of Dexia Crédit Local is estimated at EUR -8.7 million of value in use. As a consequence, DCL Evolution has been fully impaired for an amount of EUR 0.14 million in the social accounts of Dexia Crédit Local as at 31 December 2022. In addition, an additional impairment of EUR 8.6 million was recognised on the loans granted by Dexia Crédit Local to its subsidiary.

- As at 31 December 2022, the valuation of Dexiarail in the corporate accounts of Dexia Crédit Local is estimated at EUR -2.5 million of value in use. As a consequence, Dexiarail has been fully impaired for an amount of EUR 0.14 million in the corporate accounts of Dexia Crédit Local as at 31 December 2022. In addition, an additional impairment of EUR 2.4 million was recognised on the loans granted by Dexia Crédit Local to its subsidiary.
- The value of the other holdings of Dexia Crédit Local (Dexia Holding Inc, Dexia CLF Régions Bail) remains unchanged.

1.2. Operational risk management during the resolution period

Within the framework of its long-term strategic reflection, aimed at reassessing the trajectory of its orderly resolution over the next few years, during 2022 Dexia Crédit Local continued the in-depth studies begun in 2021 and undertook structuring actions concerning the revision of its operational model, in particular outsourced services and their implementation methods.

In this respect, Dexia Crédit Local 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 is continuing with the gradual transfer of clearing operations in other currencies.

In the first half of 2022, Dexia Crédit Local also signed a contract with Arkéa Banking Services for the back-office processing of loans. The implementation is planned for the second half of 2023. This new stage in the operational transformation will enable Dexia Crédit Local to benefit from a service which has already proved its worth with other institutions, the development of outsourced services being at the heart of Crédit Mutuel Arkéa's strategy. For Dexia Crédit Local, this is part of a permanent search for cost and process optimisation and for control of its operational risks in activities which are always complex but with increasingly low volumes.

Finally, in early January 2023, Dexia Crédit Local launched an invitation to tender for the management of the market back office.

1.3 Post-balance sheet events[1]

At the beginning of 2023, Dexia Crédit Local is closely monitoring the evolution of the banking sector in the United States and Europe and its impact on the financial markets. The bank has no direct exposure to Silicon Valley Bank, Signature Bank and Silvergate or to any US regional bank. Its exposure to the North American banking sector is extremely limited and restricted to international institutions, which, since the 2008 crisis, have been subject to higher capital requirements and closer supervision than regional banks.

Moreover, Dexia Crédit Local has a limited exposure to Crédit Suisse (EUR 49 millions[2]) and to UBS (EUR 54 millions[2]), composed solely of collateralised derivatives. The impact in the event of an actual default is not significant.

At this stage, Dexia Crédit Local has not observed any deterioration on the short-term secured debt market or on the secured financing market. The bank has a liquidity reserve calibrated to enable it to cope with stressed market conditions.

(1) Drafting of the text closed on 24 March 2023
(2) Exposure at default (EAD) as at 1 January 2023.

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 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 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 as at 31 December 2022 and the areas of uncertainty are summarised below:

- The continuation of the resolution assumes that Dexia Crédit Local maintains a good funding capacity which relies in particular on the maintenance of the rating of Dexia Crédit Local at a level equivalent to or higher than Investment Grade, the appetite of investors for the debt guaranteed by the Belgian and French States and the 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, after it expired on 31 December 2021.
- 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.
- Dexia Crédit Local is also exposed to certain operational risks, specific to the resolution environment in which it operates.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of the 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 diversified its funding sources, from the point of view of the prudent management of its liquidity. The increase in interest rates, which began in 2021 and continued 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 16.8 billion in the Group's funding requirement over the year, to EUR 44.8 billion as at 31 December 2022. Given this favourable development and the fact that Dexia Crédit Local 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 31 December 2022, the liquidity reserve amounted to EUR 10.8 billion, of which EUR 3.6 billion in cash.
- Within the framework of the preparation of the consolidated financial statements as at 31 December 2022, Dexia reviewed the macroeconomic scenarios used for the assessment of expected credit losses under IFRS 9 and retained a base case macroeconomic scenario, based on the most recent European Central Bank (ECB) projections published in December 2022, supplemented by scenarios published by national central banks when available. The central scenario of the ECB foresees a short and shallow recession in early 2023. The labour market should remain relatively resilient to this mild recession. Dexia has nonetheless considered this scenario to be too favourable, given the persistent geopolitical and monetary pressures and the disruptions in supply chains, including energy supply cuts. Indeed, the Dexia Group also considered the ECB's downside macroeconomic scenario, which foresees a complete cut-off of Russian gas, higher commodity prices, high levels of uncertainty, weaker trade and deteriorating financing conditions. Adopting a cautious approach, Dexia Crédit Local's management has therefore decided to consider as a basic macroeconomic scenario an equal combination of the ECB's central and downside scenario's.
- Management has also taken into account all of these constraints and uncertainties associated with 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 2022, 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

No changes have been made to the accounting policies and valuation methods applied to the financial statements.

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 due to the financial situation of a debtor are included in the restructured performing loans category until their final maturity. They are written down for impairment in an amount equal to the present value of the future interest payments gap. This write-down is taken immediately into expense under the cost of risk and is reversed into income on an accrual basis over the remaining term of the loan.

Securities transactions

The securities held by Dexia Crédit Local are recorded on the balance sheet under the following asset headings:

- government securities eligible for Central Bank refinancing;
- bonds and other fixed-income securities;
- equities and other variable-income securities.

In accordance with Regulation n° 2014-07, they are broken out in the notes to the financial statements into "Held-for-trading securities", "Available-for-sale securities", "Held-to-maturity securities" and "Portfolio securities".

Held-for-trading securities

Held-for-trading securities are securities traded on a liquid market that are purchased or sold with the intention of being sold or repurchased within a short period of time. The Dexia Crédit Local held-for-trading portfolio consists primarily of adjustable-rate bonds. Held-for-trading securities are taken to the balance sheet at cost, including accrued interest and excluding acquisition costs. At each period end, they are marked to market and the resulting unrealised gain or loss is taken to the income statement.

Available-for-sale securities

These consist of securities that are not recognised as held-for-trading securities, held-to-maturity securities, portfolio securities, other long-term investments, investments in associates or investments in related parties.

The portfolio consists primarily of fixed and adjustable-rate bonds, but also includes some variable-income securities. Fixed-rate bonds are generally hedged against interest rate risks by means of interest rate and/or currency swaps classified as hedges. The use of this technique has the effect of creating synthetic adjustable or variable-rate assets that are immunised against interest rate risks.

Available-for-sale securities are taken to the balance sheet at cost, excluding acquisition costs and accrued interest, which are recorded separately. Any premiums or discounts, corresponding to the difference between the acquisition cost and redemption price, are recorded on the balance sheet and amortised to the income statement on a quasi-yield-to-maturity basis over the remaining life of the securities. This method is applied to all securities in the portfolio.

At the reporting date, in application of the prudence principle, available-for-sale securities are recorded on the balance sheet at the lower of their acquisition cost and their selling price at the reporting date, after taking into account gains on micro hedging transactions for purposes of calculating the reduction in their value.

If no active market is available for a given financial instrument, valuation techniques are used to calculate the realisable value (or the market value, as defined elsewhere in the notes) of the instrument. The valuation model should take into account all the factors that market participants would consider when pricing the asset. In such cases, Dexia Crédit Local uses its own valuation models, taking account of market conditions at the date of the valuation as well as of any changes in the credit risk quality of these financial instruments and market liquidity.

If the potential decrease in the value of the securities exceeds the related unrealised hedging gain, a provision corresponding to the difference is deducted from the securities' carrying amount. A reserve is booked on the liabilities side of the balance sheet for any unrealised hedging losses that are not offset by an increase in the market value of the hedged securities.

Gains and losses on disposals of marketable available-for-sale securities are calculated on a FIFO basis.

Any available-for-sale securities transferred to the held-to-maturity portfolio are transferred at cost.

Any provisions for impairment that are no longer required at the date of transfer are released to the income statement over the remaining life of the securities.

Held-to-maturity securities

Held-to-maturity securities consist of fixed-income securities with fixed maturities that have been acquired or transferred from "available-for-sale securities" and "held-for-trading securities" with the explicit intention of being held to maturity.

They are either financed with back-to-back resources or hedged in order to neutralise the effect of interest rate fluctuations on earnings. The hedging instruments used consist solely of interest rate and/or currency swaps.
The use of these specific, allocated hedges has the effect of creating synthetic adjustable – or variable-rate assets that are immunised against interest rate risks.
Held-to-maturity securities are stated at cost, excluding acquisition costs and accrued interest at the date of acquisition, which are recorded separately. Premiums and discounts, representing the difference between the cost of the securities, excluding accrued interest, and the redemption price, are amortised on a yield-to-maturity basis over the remaining life of the securities.
Unrealised gains are not recognised, and no provisions are booked for unrealised losses at the balance sheet date except in cases where:
• the ability of the issuer to 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. Gains or losses on disposals and movements in impairment provisions and reversals are recorded under "Net gains (losses) on non-current assets" in the income statement.

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. Gains or losses on disposals and movements in impairment provisions and reversals are recorded under "Net gains (losses) on non-current assets" in the income statement.

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.

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.

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.

(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 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 overall 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.

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

In application of the French finance law for 2020, the corporate income tax rate is 25% for all taxable profits for the accounting year 2022 and the following years. 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.

Dexia Crédit Local does not apply the deferred tax method in its annual accounts.

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.

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. Détail du poste hors intérêts courus

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Cash	0	0
Deposits with central banks and issuing institutions[1]	9,673	1,771
Deposits with postal checking accounts	0	0
TOTAL	**9,673**	**1,771**

(1) EUR 1.8 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 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	9,241	8,737	0	0	708	8,029

c. Analysis by type of portfolio and movements for the year, excluding accrued interest

(in EUR million)	Banking activity and other Held for trading	Available for sale	Held to maturity	Total
Costs as at 31/12/2021	75	251	8,915	9,241
Movements for the year:				
• acquisitions[1]	0	0	0	0
• disposals and redemptions	(75)	(10)	(273)	(358)
• transfers	0	0	0	0
• translation adjustments	0	(2)	(2)	(4)
• other[2]	0	(2)	(137)	(139)
Costs as at 31/12/2022	0	237	8,503	8,740
Impairment as at 31/12/2021	0	0	0	0
Movements for the year:				
• charges	0	(3)	0	(3)
• recoveries	0	0	0	0
• translation adjustments	0	0	0	0
• other	0	0	0	0
Impairment as at 31/12/2022	0	(3)	0	(3)
Net carrying amount as at 31/12/2022	0	234	8,503	8,737

Additional information concerning government securities is provided in note 2.5.
(1) The other variations are premium/discount variations.

d. Transfers between portfolios
No transfers were made between portfolios in 2022.

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)	13

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	783	974	974	0	0	0
Term loans and advances[1]	5,179	5,745	1,665	787	2,686	607
TOTAL	5,962	6,719	2,639	787	2,686	607

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 31/12/2021	As at 31/12/2022
Subordinated interbank loans[1]	25	25
Non-subordinated interbank loans	5,154	5,720
TOTAL	5,179	5,745

(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)	94

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity or not analysed
	12,454	14,951	4,463	212	1,309	8,967	0

The EUR 2.5 billion increase in this item is principally explained by the placement of liquidity in the form of securities received under repurchase agreements for EUR 3.6 billion.

c. Analysis by type of borrower, excluding accrued interest

	As at 31/12/2021	As at 31/12/2022		
(in EUR million)	Total	Public sector	Other sectors	Total
Performing loans	12,175	6 373	8,101	14,474
Restructured performing loans	0	0	0	0
Non-performing loans under collection	272	42	435	477
Doubtful non-performing loans	7	0	0	0
TOTAL	12,454	6,415	8,536	14,951

d. Analysis of non-performing loans, excluding accrued interest

VALUATION OF RISK (in EUR million)	As at 31/12/2021	As at 31/12/2022
Gross non-performing loans under collection	451	678
Accumulated impairment	(179)	(201)
NET NON-PERFORMING LOANS UNDER COLLECTION	272	477
Gross doubtful non-performing loans	13	6
Accumulated impairment	(6)	(6)
NET DOUBTFUL NON-PERFORMING LOANS	7	0

e. Analysis by degree of subordination, excluding accrued interests

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Subordinated customer loans	0	0
Non-subordinated customer loans	12,454	14,951
TOTAL	12,454	14,951

2.5. Bonds and other fixed-income securities (item V – assets)

a. Accrued interest

(in EUR million)	97

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	12,573	9,891	0	0	288	9,603

c. Analysis by type of issuer, excluding accrued interest

Analysis by type of issuer, excluding accrued intered (in EUR million)	As at 31/12/2021	As at 31/12/2022
Public sector issuers	5,851	5,830
Other issuers	6,722	4,061
TOTAL	**12,573**	**9,891**

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 31/12/2021	**246**	**3,922**	**8,504**	**12,672**
Movements for the year:				
• acquisitions[1]	0	0	0	0
• disposals and redemptions	(175)	(205)	(2,029)	(2,409)
• transfers	0	0	0	0
• other movements[2]	(20)	(1)	17	(4)
• translation adjustments	(1)	(97)	(138)	(236)
COSTS AS 31/12/2022	**50**	**3,619**	**6,354**	**10,023**
IMPAIRMENT AS AT 31/12/2021	**0**	**(99)**	**0**	**(99)**
Movements for the year:				
• charges	0	(145)	0	(145)
• recoveries	0	107	0	107
• transfers	0	0	0	0
• other movements	0	0	0	0
• translation adjustments	0	5	0	5
IMPAIRMENT AS AT 31/12/2022	**0**	**(132)**	**0**	**(132)**
NET CARRYING AMOUNT AS AT 31/12/2022	**50**	**3,487**	**6,354**	**9,891**

(1) Sales and maturities mainly include the early redemption of a EUR 1.5 billion security issued by the subsidiary Dexia Crediop..
(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 2022, the borrowed securities are presented as a deduction of debt representing the value of the borrowed securities as "Other liabilities" of EUR 4,908 millions.

e. Analysis by type of portfolio

	As at 31/12/2021				As at 31/12/2022			
(in EUR million)	Held for trading	Available for sale	Held to maturity	Total	Held for trading	Available for sale	Held to maturity	Total
Government securities	**75**	**251**	**8,988**	**9,314**	**0**	**234**	**8,576**	**8,810**
Gross carrying amount	75	208	9,362	9,645	0	197	8,961	9,158
Premiums/discounts	0	43	(447)	(404)	0	40	(458)	(418)
Related receivables	0	0	73	73	0	0	73	73
Impairment	0	0	0	0	0	(3)	0	(3)
Market value	75	294	10,877	11,246	0	212	8,195	8,407
Bonds and other fixed-income securities	**246**	**3,866**	**8,555**	**12,667**	**50**	**3,529**	**6,409**	**9,988**
Gross carrying amount	246	3,953	8,282	12,481	50	3,660	6,166	9,876
Premiums/discounts	0	(31)	222	191	0	(41)	188	147
Related receivables	0	43	51	94	0	42	55	97
Impairment	0	(99)	0	(99)	0	(132)	0	(132)
Market value	246	5,175	11,624	17,045	50	3,986	6,905	10,941
Total securities portfolio	**321**	**4,117**	**17,543**	**21,981**	**50**	**3,763**	**14,985**	**18,798**
PROVISIONS FOR RISKS AND CHARGES[1]	**0**	**(415)**	**(4)**	**(419)**	**0**	**(295)**	**(2)**	**(297)**

(1) The EUR -297 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 31/12/2021 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2022 Held for trading	Available for sale	Held to maturity	Total
Government securities	**75**	**251**	**8,988**	**9,314**	**0**	**234**	**8,576**	**8,810**
Central governments	75	222	7,574	7,871	0	215	7,189	7,404
Local governments	0	29	1,354	1,383	0	19	1,387	1,406
Credit institutions	0	0	60	60	0	0	0	0
Bonds and other fixed-income securities	**246**	**3,866**	**8,555**	**12,667**	**50**	**3,529**	**6,409**	**9,988**
Central governments	0	1,742	962	2,704	0	1,538	943	2,481
Local governments	0	1,065	2,945	4,010	0	1,003	2,405	3,408
Credit institutions	0	377	2,126	2,503	0	260	102	362
Other private-sector entities	246	682	2,522	3,450	50	728	2,959	3,737
Total securities portfolio	**321**	**4,117**	**17,543**	**21,981**	**50**	**3,763**	**14,985**	**18,798**

g. Analysis by listing of securities

in EUR million	As at 31/12/2021 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2022 Held for trading	Available for sale	Held to maturity	Total
Government securities	**75**	**251**	**8 988**	**9 314**	**0**	**234**	**8 576**	**8 810**
Listed securities(1)	75	247	8 985	9 307	0	230	8 574	8 804
Unlisted securities	0	4	3	7	0	4	2	6
Bonds and other fixed-income securities	**246**	**3 866**	**8 555**	**12 667**	**50**	**3 529**	**6 409**	**9 988**
Listed securities(1)	71	924	7 326	8 321	50	812	5 191	6 053
Unlisted securities	175	2 942	1 229	4 346	0	2 717	1 218	3 935
Total securities portfolio	**321**	**4 117**	**17 543**	**21 981**	**50**	**3 763**	**14 985**	**18 798**

(1) "Listed" means quoted on a securities exchange.

h. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022
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	12,573	9,891
TOTAL	**12,573**	**9,891**
of which: listed subordinated bonds and other listed subordinated fixed-income securities	0	0

i. Transfers between portfolios

No portfolio transfers in 2022.

j. Quality of outstanding amounts at the end of the year excluding accrued interest

Valuation of risk (in EUR million)	As at 31/12/2021	As at 31/12/2022
Gross non-performing loans under collection	137	149
Accumulated impairment	(61)	(63)
NET NON-PERFORMING LOANS UNDER COLLECTION	**76**	**86**

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 31/12/2021	**0**	**30**	**30**
Movements for the year:			
• acquisitions	0	0	0
• disposals and redemptions[1]	0	(11)	(11)
• other movements	0	0	0
• translation adjustments	0	(1)	(1)
Cost as 31/12/2022	**0**	**18**	**18**
Impairment as at 31/12/2021	**0**	**(30)**	**(30)**
Movements for the year:			
• charges	0	0	0
• recoveries	0	11	11
• other movements	0	0	0
• translation adjustments	0	1	1
Impairment as at 31/12/2022	**0**	**(18)**	**(18)**
NET CARRYING AMOUNT AS AT 31/12/2022	**0**	**0**	**0**

(1) EUR -11 million corresponding to the asset refund in investment funds.

b. Transfers between porfolios (excluding insurance business)

No transfers were made between portfolios in 2022.

c. Unrealised gains and losses on variable income securities

(in EUR million)	Carrying amount at 31/12/2022	Carrying amount at 31/12/2022	Net unrealised capital gain as at 31/12/2022
TOTAL TITRES	**0**	**0**	**0**

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 31/12/2021	**3,264**	**39**	**3,303**
Movements for the year:			
• acquisitions[1]	0	0	0
• disposals and redemptions	(175)	0	(175)
• transfers	0	0	0
• translation adjustments	0	0	0
• other movements	0	0	0
Cost as at 31/12/2022	**3,089**	**39**	**3,128**
Impairment as at 31/12/2021	**(2,984)**	**(7)**	**(2,991)**
Movements for the year:			
• charges	0	0	0
• recoveries	400	0	400
• reversals	0	0	0
• transfers	0	0	0
• translation adjustments	0	0	0
• other movements	0	0	0
Impairment as at 31/12/2022	**(2,584)**	**(7)**	**(2,591)**
NET CARRYING AMOUNT AS AT 31/12/2022	**505**	**32**	**537**

(1) The amount of EUR -175 million corresponds to the capital reduction of the subsidiary Dexia Flobail in the form of a cash reimbursement.

(2) The impairment recorded on the Dexia Crédit Local holding in its subsidiary Dexia Crediop is reversed for an amount of EUR +400 million.

c. Listing of securities

(in EUR million)	Net carrying amount as at 31/12/2022	Market value as at 31/12/2022	Unrealised capital gain as at 31/12/2022
Listed securities	0	0	0
Unlisted securities	537		
TOTAL	**537**		

d. Significant investments

(in EUR million)	Gross carrying amount as at 31/12/2022	Impairment as at 31/12/2022	Net carrying amount as at 31/12/2022
Listed securities	0	0	0

Unlisted securities (in EUR million)	Gross carrying amount as at 31/12/2022	Impairment as at 31/12/2022	Net carrying amount as at 31/12/2022	% interest in capital	Interest in capital as at 31/12/2022	Last balance sheet date
TOTAL	**3,128**	**(2,591)**	**537**			
of which:						
DEXIA HOLDINGS Inc.	2,283	(2,283)	0	100,00%	(94)	31/12/2022
DEXIA CREDIOP	776	(301)	475	100,00%	584	31/12/2022
DEXIA FLOBAIL	22	0	22	100,00%	9	31/12/2022
DEXIA CLF REGIONS BAIL	8	0	8	100,00%	25	31/12/2022

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 31/12/2021	**0**	**159**	**159**
Movements of the year:			
• increases	0	0	0
• decreases	0	0	0
• other	0	0	0
• translation adjustmens	0	0	0
GROSS CARRYING AMOUNT AS AT 31/12/2022	**0**	**159**	**159**
Amortisation and impairment as at 31/12/2021	**0**	**(153)**	**(153)**
Movements for the year:			
• charges	0	(3)	(3)
• recoveries	**0**	0	0
• other	0	0	0
• translation adjustments	0	0	0
Amortisation and impairment as at 31/12/2022	**0**	**(156)**	**(156)**
NET CARRYING AMOUNT AS AT 31/12/2022	**0**	**3**	**3**

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 31/12/2021	**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 31/12/2022	**0**	**0**	**12**	**0**	**12**
AMORTISATION AND IMPAIRMENT AS AT 31/12/2021	**0**	**0**	**(10)**	**0**	**(10)**
Movements for the year:					
• charges	0	0	(1)	0	(1)
• recoveries	0	0	0	0	0
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
AMORTISATION AND IMPAIRMENT AS AT 31/12/2022	**0**	0	**(11)**	**0**	**(11)**
NET CARRYING AMOUNT AS AT 31/12/2022	**0**	**0**	**1**	**0**	**1**

2.10. Other assets and accruals (items XIII and XIV – assets)

Detailed analysis of other assets and accruals

(in EUR million)	As at 31/12/2021	As at 31/12/2022
OTHER ASSETS		
Premiums paid on swaptions issued	0	0
Premiums paid on options	34	31
Guarantee deposits paid(1)	20,144	9,336
Tax receivables(2)	29	18
Deferred tax assets	0	0
Other non-current financial assets	0	0
Other	7	23
TOTAL OTHER ASSETS	**20,214**	**9,408**

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivatives markets: the decrease over 2022 is associated with the context of rising interest rates.
2) A claim for refund of EUR 20 million of tax receivables has been filed with the Spanish tax Authorities in 2022, in the context of the liquidation of DCL Madrid

(in EUR million)	As at 31/12/2021	As at 31/12/2022
ACCRUALS		
Premiums and deferred charges on borrowings	27	71
Premiums on loans and other deferred charges on loans	84	94
Premiums and deferred charges on hedging transactions	2,719	2,051
Premiums and deferred charges on trading transactions	605	480
Accrued income on hedging transactions	447	535
Accrued income on trading transactions	244	371
Unrealised translation losses	314	476
Other accrued income	17	68
TOTAL ACCRUALS	**4,457**	**4,146**

2.11. Analysis of assets by currency

Classification by original currency

(in EUR million)	As at 31/12/2022
In EUR	32,352
In other EU currencies	0
In all other currencies	24,089
TOTAL ASSETS	**56,441**

3. Notes to the liabilities and equity

3.1. Interbank borrowings and deposits (item II – liabilities and equity)

a. Accrued interest

(in EUR million)	4

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	2	85	85	0	0	0
Term deposits	3,375	1,674	968	297	114	295
TOTAL	**3,377**	**1,759**	**1,053**	**297**	**114**	**295**

3.2. Customer deposits (item III – liabilities and equity)

a. Intérêts courus repris sous ce poste

(in EUR million)	7

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	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	8,367	4,255	4,139	0	1	115
TOTAL	**8,367**	**4,255**	**4,139**	**0**	**1**	**115**

c. Analysis by type of issuer, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Public sector	99	115
Other sectors	8,268	4,140
TOTAL	**8,367**	**4,255**

3.3. Debt securities (item IV – liabilities and equity)

a. Accrued interest

(in EUR million)	110

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2021	As at 31/12/2022	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	48,509	37,913	5,138	9,407	21,835	1,533
Debt securities	0	0	0	0	0	0
TOTAL	**48,509**	**37,913**	**5,138**	**9,407**	**21,835**	**1,533**

As at 31 December 2022, Dexia Crédit Local's issues are covered by the State guarantee mechanism for EUR 29.7 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 31/12/2021	**48,509**	**0**	**0**	**48,509**
Movements for the year:				
• new issues	7,826	0	0	7,826
• redemptions	(18,556)	0	0	(18,556)
• translation adjustments	134	0	0	134
• other	0	0	0	0
AS AT 31/12/2022	**37,913**	**0**	**0**	**37,913**

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 31/12/2021	As at 31/12/2022
OTHER LIABILITIES		
Guarantee deposits received[1]	3,200	1,531
Premiums on options sold	24	23
Representative debt of the value of the securities borrowed[2]	0	0
Other creditors	22	35
TOTAL OTHER LIABILITIES	**3,246**	**1,589**
ACCRUALS		
Deferred income on loans	30	24
Discounts recognised on purchase of receivables	0	0
Deferred income on hedging transactions	3,255	2,435
Deferred income on trading transactions	1,176	1,371
Deferred gains on hedging contracts	0	0
Accrued charges on hedging transactions	452	639
Accrued charges on trading transactions	319	460
Unrealised translation gains	208	167
Other deferred income	0	0
Other accrued charges	51	76
Other accrued liabilities	1,801	1,078
TOTAL ACCRUALS	**7,292**	**6,250**

(1) Guarantee deposits received correspond mainly to cash collateral received.

3.5. Provisions for risks and charges (item VII – liabilities and equity)

(in EUR million)	As at 31/12/2021	Charges	Recoveries	Transfert	Translation adjustments	As at 31/12/2022
PROVISIONS FOR RISKS AND CHARGES	**536**	**196**	**(374)**	**0**	**(9)**	**349**
Pensions and similar commitments	0	0	0	0	0	0
Financing commitments	51	0	(23)	0	0	28
Other financial instruments[1]	419	195	(308)	0	(9)	297
Other risks and charges[2]	66	1	(43)	0	0	24
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	**536**	**196**	**(374)**	**0**	**(9)**	**349**

(1) Provisions for risks on other financial instruments are presented in note 2.5 d for the breakdown by type of portfolio.

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 31/12/2021	56
Movements of the year:	
• new issues	0
• redemptions	0
• translation adjustments	0
• other movements	0
AS AT 31/12/2022	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)	Montant
AS AT 31/12/2021	
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
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)	136
Legal reserve	0
Non-distributable reserve	0
Translation adjustments	0
Dividends paid (-)	0
Net loss for the year	533
Other movements	(136)
AS AT 31/12/2022	
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	699
Translation adjustments	0
Net profit for the year(2)	533
Interim dividends	0
EQUITY AS AT 31/12/2022	4,149

(1) The ordinary shareholders' meeting held on 18 May 2022 decided to allocate the entire profit for the year 2022 of EUR 136 million to the retained earnings account, bringing it to EUR 699 million.
(2) A proposal was submitted to the ordinary shareholders' meeting on 23 May 2023 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 31/12/2022
In EUR	32,115
In other EU currencies	0
In all other currencies	24,326
TOTAL LIABILITIES AND EQUITY	56,441

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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	21,777	6,924
	Items V, VI and VII	Securities held	10,525	33
	Items XIII and XIV	Other assets and accruals	13,554	234
Liabilities	Items II and III	Interbank borrowings and deposits and customer deposits	6,025	406
	Items IV	Debt securities	38,023	0
	Items VIII	Subordinated debt	56	0
	Items V and VI	Other liabilities and accruals	7,839	486

(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 2022.

Analysis by type of beneficiary

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Commitments to credit institutions	1,056	450
Commitments to customers	675	251
Currencies lent but not yet delivered	0	0
TOTAL	**1,731**	**701**

4.2. Guarantee commitments given (item II – off-balance sheet)

a. Analysis by type of beneficiary

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Commitments to credit institutions	770	726
Commitments to customers	1,420	1,585
TOTAL	**2,190**	**2,311**

b. Analysis by type of transaction

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Guarantee commitments given:		
• guarantees	2,190	2,311
• endorsements	0	0
• liens on assets	0	0
TOTAL	**2,190**	**2,311**

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)	Assets pledged as at 31/12/2021(1)	Assets pledged as at 31/12/2022(1)
As collateral for debts and commitments of the company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	13,229	11,373
TOTAL	**13,229**	**11,373**

(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 31/12/2021	As at 31/12/2022
Financing commitments received from credit institutions	2,111	1,718
Currencies borrowed but not yet received	0	0
Guarantees received from credit institutions	1,017	1,220
Guarantees received from local authorities or claims on local authorities acquired as guarantees	2,283	2,201
Other commitments received	3,542	3,403
TOTAL	**8,953**	**8,542**

4.5. Commitments related to securities (item VI – off-balance sheet)

a. Analysis by type of transaction

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Purchases		
• spot	0	0
• forward	0	0
Sales		
• spot(1)	0	0
• forward	0	0
TOTAL	**0**	**0**

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 item "currencies receivable" amounted to EUR 20.1 billion and the item "currencies payable" to EUR 20.4 billion as at 31 December 2022.

The items non-accrued deferral/discount, non-accrued interest in hedged currencies and HB currency adjustment accounts amount to EUR 565 million.

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 31/12/2021	As at 31/12/2022	Hedging		Trading		Fair value as at 31/12/2022
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio manage-ment	
Foreign currency instruments[1]	24,699	20,370	6,489	7,777	0	6,104	179
• forward currency purchases and sales	9,092	7,607	0	7,607	0	0	0
• currency and interest rate swaps	15,607	12,763	6,489	170	0	6,104	179
• 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	208,362	176,134	45,166	64,382	135	66,451	(8,121)
Interest rate instruments[2]							
• interest rate swaps	206,591	173,436	44,086	64,382	0	64 968	(8,113)
• futures	11	1,242	0	0	0	1,242	0
• forward rate agreements	0	0	0	0	0	0	0
• interest rate options	15	12	0	0	0	12	(119)
Other forward purchases and sales[3]							
• other options	1,745	1,444	1,080	0	135	229	111
• *other futures*	0	0	0	0	0	0	0
• other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	**233,061**	**196,504**	**51,655**	**72,159**	**135**	**72,555**	**(7,942)**

(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 31/12/2022
Foreign currency instruments	20,342	28	20,370
Other financial instruments:			
• interest rate instruments	52,978	121,712	174,690
• other forward purchases and sales	1,444	0	1,444
TOTAL	**74,764**	**121,740**	**196,504**

c. Analysis of forward contracts and options

Type of transaction (in EUR million)	Forward contracts	Options	Total as at 31/12/2022
Foreign currency instruments	20,370	0	20,370
Other financial instruments:			
• interest rate instruments	174,677	13	174,690
• other forward purchases and sales	1,444	0	1,444
TOTAL	**196,491**	**13**	**196,504**

d. Analysis by residual maturity

Type d'opérations (in EUR million)	Up to 1 year	1 to 5 years	Over 5 years	Total as at 31/12/2022
Foreign currency instruments	9,031	4,167	7,172	20,370
Other financial instruments:				
• interest rate instruments	60,644	51,637	62,409	174,690
• other forward purchases and sales	0	0	1 444	1,444
TOTAL	**69,675**	**55,804**	**71,025**	**196,504**

e. Statement of off-balance sheet forward transactions in securities, foreign exchange and other forward financial instruments

Commitments on forward interest rate instruments are recorded in accordance with the provisions of ANC Regulation No. 2014-07:

- for firm transactions, amounts are recorded at the nominal value of the contracts;
- for contingent transactions, amounts are recorded at the face value of the underlying instrument.

The use of forward financial instruments by Dexia Crédit Local is part of the following three strategies:

- **Asset/Liability management**

This management includes operations the purpose of which is to hedge and manage the institution's overall interest rate risk. This ALM management is carried out principally through swaps and future contracts.

- **hedging transactions affected**

The purpose of the transactions listed in this category is to hedge the interest rate risk affecting an item or a set of homogeneous items, identified at the outset. This category mainly includes swaps used to micro-hedge primary issues, securities in the investment or investment bond portfolio and customer assets.. The combination of these assets or liabilities and their specific hedge makes it possible to construct synthetic assets or liabilities indexed on variable or revisable rates and therefore immune to interest rate risk. Also classified in this category are currency swaps, which are set up to transform resources into the currency of the uses to which they are put, this transformation having the effect of reducing the exchange rate risk.

- **position management transactions**

This strategy is broken down into two types of activity:
– an activity known as specialised management of a trading portfolio,
– a position-taking activity.

The specialised management of a trading portfolio includes transactions concluded with local authorities and their symmetrical transactions negotiated with bank counterparties. The transactions processed are mainly interest rate swaps. The operations included in this activity are subject to specialised sensitivity management.

The objective of the position-taking activity is to maintain isolated open positions in order to benefit, as the case may be, from changes in interest rates or currency exchange rates. The transactions implemented are mainly interest rate swaps and forward foreign exchange transactions.

f. Risk monitoring

Risk measurement is carried out on a regular basis by the risk management department. The main risk indicator at Dexia Crédit Local, as in the whole Dexia Group, is the VaR. The VaR calculated by the Dexia Group measures the potential loss within a 99% confidence interval for a reference period of ten days. The risk management system consists of allocating to each entity and for each market activity the following elements:

- a list of currencies and structures which may be traded,
- 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	701	450
	Item II	Guarantee commitments given	2,311	1,939
	Item IV	Financing commitments received	1,718	0
	Item V	Guarantee commitments received	6,824	1,220
	Items III, VI, VII et VIII	Other commitments given and received	228,608	2,335

(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 Dexia's funding guarantee by the Belgian and French States

Following the approval by the European Commission of the extension of Dexia's funding guarantee for a further period of ten years as from 1 January 2022, the French and Belgian States adopted the legislation 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 currencies;
- 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 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 be effective for all guaranteed bonds issued by Dexia Crédit Local until 31 December 2021 and for a maximum maturity period of ten years since their issue date.

Remuneration of the funding guarantee extended as at 1 January 2022

The remuneration of the guarantor States under the 2022 guarantee includes a base fee and a contingent deferred fee. This particular remuneration structure fully implements the burden-sharing principle underlying the orderly resolution of

Dexia and which requires that any improvement of Dexia's financial situation should benefit only the State shareholders and guarantors.
The basic remuneration is 5 basis points per annum on the guaranteed outstandings, payable monthly. This fee would be increased by a conditional deferred fee, payable in the event that two conditions are met. These two conditions are cumulative and are set out in the European Commission's Decision of 27 September 2019, namely (i) a possible liability of Dexia Crédit Local and of Dexia Crédit Local and Dexia towards the holders of hybrid Tier 1 securities bearing the ISIN code FR0010251421 and XS0273230572 respectively, which translates in practice into a liquidation of Dexia Crédit Local or Dexia, 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.
This fee would be progressively increased from 2022 and would reach an annual rate of 135 basis points in 2027 on outstanding amounts issued under the extended guarantee scheme. This fee applies to the outstanding guaranteed debt issued by Dexia Crédit Local and is guaranteed by Dexia SA.
The accounting treatment of these payments to the guarantor States has been subject to detailed analysis by Dexia. From an accounting point of view, the treatment is different in the consolidated accounts under IFRS of Dexia and Dexia Crédit Local and in the corporate accounts under French GAAP of Dexia Crédit Local. There is no impact in the Belgian GAAP financial statements of Dexia, as the fee applies to the outstanding guaranteed debt issued by Dexia Crédit Local. The accounting under French GAAP in the Dexia Crédit Local financial statements implies a prior examination of the probability of the two payment conditions of the conditional deferred fee being met. To recall, the conditional deferred fee 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 license – materialise.
Depending on the degree of probability of the two conditions being met, the conditional deferred fee may (i) either be declared as an off-balance sheet item in the notes to the financial statements, (ii) or be recognised as an expense and a provision in the income statement when the loss of licence becomes probable, (iii) or be reversed in the income statement as a subordinated debt when the loss of licence occurs. The conclusion is a matter of judgement and belongs to the Board of Directors, which will decide on each closing date for the statutory accounts. In the absence of the likelihood of these two conditions being met, the conditional deferred fee will be treated as an off-balance-sheet item. On 12 December 2022, Dexia's Board of Directors noted that these two conditions are not met for the accounting year commencing on 1 January 2023. The conditional deferred fee recorded in the off-balance sheet amounts to EUR 3.5 million as at 31 December 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 31/12/2021	As at 31/12/2022
INTEREST INCOME ON:			
Interbank loans	(a)	84	145
Customer loans and advances	(b)	505	387
Bonds and other fixed-income securities	(c)	405	543
Macro hedging transactions	(d)	457	895
TOTAL INTEREST INCOME		**1,451**	**1,970**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(207)	(170)
Customer deposits	(b)	(280)	(125)
Bonds and other fixed-income securities	(c)	(221)	(608)
Macro hedging transactions	(d)	(605)	(895)
TOTAL INTEREST EXPENSE		**(1,313)**	**(1,798)**
NET		**138**	**172**

a. Interest income and expenses on interbank transactions

This item includes EUR 23 million of transactions with related parties.
The charge relating to the State guarantee which amounts to EUR 22 million in 2022 against EUR 26 million in 2021 is included in this item.

b. Interest income and expenses on customer transactions

Interest income and expenses on customer loans and deposits represented a net amount of EUR 262 million.
It also includes EUR 9 million in income from financing commitments and guarantees.

c. Interest income and expenses on bonds and other fixed-income securities

The heading includes EUR 543 million in accrued interest on bonds and other fixed-income securities, amortization of discounts and premiums on held-to-maturity and available-for-sale securities, and the related hedging gains and losses on these securities.
Interest expenses amounted to EUR -608 million for Dexia Crédit Local.
In addition to interest expenses 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 expenses on macro-hedging transactions

Income and expenses from macro-hedging operations amounted to EUR 895 million and EUR -895 million respectively.

5.2. Income from variable-income securities (item III – income statement)

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Related parties	0	16
Other related parties and long-term investments	1	1
Equities and other variable-income securities	2	0
TOTAL	3	17

(1) The amount of EUR 16 million corresponds to the dividend payment of DEXIA CLF REGIONS BAIL.

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 31/12/2021	As at 31/12/2022
Loans	2	0
Other financial services	0	0
TOTAL	2	0

b. Analysis of fee and commission expenses (item V – income statement)

Type (in EUR million)	As at 31/12/2021	As at 31/12/2022
Loans	0	0
Corporate actions	(8)	(9)
Other financial services	(5)	(5)
TOTAL	(13)	(14)

5.4. Analysis of gains and losses on portfolio transactions (item VI – income statement)

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Gains (losses) on:		
• held-for-trading securities	2	5
• foreign currency transactions	35	(28)
• other financial instruments	4	112
Sub-total	41	89
Results of investment portfolio and similar transactions:		
• available-for-sale and similar securities[1]	253	79
• Gains and losses on disposals	13	(8)
Sub-total	266	71
• Held-to-maturity securities	19	32
Sub-total	19	32
TOTAL	326	192

(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 31/12/2021	As at 31/12/2022
Personnel costs	**(64)**	**(66)**
• Salaries and wages	(45)	(45)
• Social security	(24)	(23)
• Restructuring cost	5	2
Other administrative expenses	**(173)**	**(188)**
• Taxes and duties	(2)	1
• Other administrative expenses	(171)	(189)
TOTAL	(237)	(254)

b. Employee Information

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Total employee as at 31 December	**397**	**379**
• executive management	47	43
• other management	311	289
• administrative personnel	39	47
Personnel costs (in EUR million)	**(65)**	**(67)**
• salaries and direct benefits	(46)	(46)
• payroll taxes	(17)	(18)
• other personnel costs	(2)	(3)
Provisions for pensions (in EUR million)	**1**	**1**
• recoveries (+)	0	(4)
• charges (-)	1	5
TOTAL	**(64)**	**(66)**

5.6. Cost of risk (item XI – income statement)

(in EUR million)	Charges and losses	Reversals and recover	Total as at 31/12/2022
Provisions for impairment and losses on loans	(100)	85	(15)
Provisions for risks	(28)	68	40
Regulatory provisions	0	0	0
TOTAL	**(128)**	**153**	**25**

The cost of risk amounts to EUR +25 million in 2022. It is mainly explained by:

- a positive effect on the provisions for credit risk of EUR +20 million. The evolution of the portfolio, notably through of the portfolio, notably through the decrease in exposures, and the context of interest rates over the year have a favourable effect on the level of provisions,
- an impairment of EUR -11 million on loans granted by Dexia Crédit Local to its subsidiaries DCL Évolution and Dexiarail,
- a write-back of provisions of EUR +16 million relating to the activity of desensitisation of loans to the French local public sector.

5.7. Net gains (losses) on non-current assets (item XII – income statement)

(in EUR million)	As at 31/12/2021		Total as at 31/12/2021	As at 31/12/2022		Total as at 31/12/2022
	Affiliated Entreprises	Others		Affiliated Entreprises	Others	
Charges to impairment	0	0	0	0	0	0
Recoveries of impairment	0	0	0	400	0	400
SUB-TOTAL	**0**	**0**	**0**	**400**	**0**	**400**
Disposal losses	0	0	0	0	0	0
Disposal gains	0	0	0	0	0	0
SUB-TOTAL	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**0**	**0**	**0**	**400**	**0**	**400**

(1) The impairment recorded on Dexia Crédit Local's holding in its subsidiary Dexia Crediop is reversed for EUR +400 million.

5.8. Other banking income and expenses

a. Other banking income (item VII – income statement)

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Other banking income	1	10
Other miscellaneous income	2	0
TOTAL	**3**	**10**

b. Other banking expenses (item VIII – income statement)

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Other banking expenses	0	(1)
Other miscellaneous expenses	(1)	0
TOTAL	**(1)**	**(1)**

5.9. Non-recurring items (item XIII – income statement)

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Non-recurring income(1)	26	0
Non-recurring expenses	0	0

(1) The extraordinary result in 2021 included an error correction on deferred taxes for past periods in an amount of EUR +26 million.

5.10. Corporate income tax (item XIV – income statement)

a. Analysis of tax expense

(in EUR million)	As at 31/12/2021	As at 31/12/2022
Corporate income tax	0	(11)
Deferred taxes	0	0
TAXES ON NET INCOME FOR THE YEAR (A)	**0**	**(11)**
Provisions for tax litigation (B)	0	0
TOTAL (A) + (B)	**0**	**(11)**

Since 2002, the permanent establishment of Dexia SA in France has been the head company of the tax consolidation group of which Dexia Crédit Local is one of the member subsidiaries.
An amendment to the tax agreement between Dexia SA permanent establishment and Dexia Crédit Local, signed in 2011, allows a reallocation, under certain conditions, to Dexia Crédit Local of the tax savings from Dexia Crédit Local and its subsidiaries.

b. Tax losses

Dexia Crédit Local 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 losses available to Dexia Crédit Local Paris within the context of the tax consolidation group of which it is a member in France are, as at 31 December 2022, EUR 3,763 million. Dexia Crédit Local Dublin's tax losses carried forward amounted to EUR 502 million as at 31 December 2022. Within the context of the liquidation of its US branch (Dexia Crédit Local NY) in 2020, Dexia Crédit Local NY transferred, assets, liabilities and derivatives. For tax purposes, these assets, 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 United States. The US tax loss as at 31 December 2022 is USD 1,700 million. This loss is never expected to be fully utilised and it is not certain that the connected activities can generate positive tax results in the future.

c. Deferred taxes

Dexia Crédit Local decided not to recognise deferred taxes from 1 January 2011 as 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 financial statements 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 context of liquidity management and subject to authorisation by the European authorities. As part of its business model, it sells assets to optimise the management of its run-off and manage liquidity risks. Since 2008, the Group has sold numerous subsidiaries, merged with some and liquidated branches. Within this context, 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 centralise the management of assets, financing and hedging. The Group is only marginally 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 tries to limit. This resolution therefore leads to losses in all the Group's entities, including DCL SA. Dexia Crédit Local now only has tax losses in its entities, losses which will never be fully recoverable.

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 31/12/2022		
(in EUR million)	**Net banking income (loss)**	**Gross operating income**	**Net income (loss)**
France	251	6	421
Foreign branches	125	113	112
TOTAL	**376**	**119**	**533**

6. Subsidiaries and equity investments as at 31 december 2022

Companies	**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)				
(in EUR)				
Dexia Crediop Via Venti settembre N. 18 I00187 Roma	645,210,000	(16,056,446)	(17,878,946)	(45,269,529)
Dexia Holdings INC.[(1)] 445 Park Avenue, 7th floor NY 10022 New York	2,819,328,211	(2,912,752,856)	1,045,839	(874,392)
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2 92913 La Défense	6,074,563	(148,821,101)	36,376,853	151,320,854
Dexia CLF Régions Bail 1 Passerelle des Reflets - Tour Dexia La Défense 2 92913 La Défense	7,625,000	15,758,759	2,606,637	1,663,057

(1) Companies that produce financial statements only under IFRS.

2 – GENERAL INFORMATION				
A - OTHER SUBSIDIARIES NOT INCLUDED IN SECTION 1-A AND OTHER EQUITY SECURITIES WHERE THE CAPITAL HELD EXCEEDS 10%				
- French companies				
- Foreign companies				
B - OTHER SUBSIDIARIES AND EQUITY INVESTMENTS WHERE THE CAPITAL HELD 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	475,000,000	0	2,719,658,790	370,000,000	Bank, credit institution
100,00%	2,283,076,144	0	0	0	0	Holding company
100,00%	22,241,202	22,241,202	0	230,596,332	258,370,334	Lease financing of local investments
100,00%	7,941,401	7,941,401	16,000,000	299,826,875	232,628,035	Real estate leasing
	1,571,993	620,000	0	423,091,407	180,734,122	
	2,852,166	468,060	0	0	0	
	8,230,118	4,418,536	276,401	124,810,418	8,456,851	
	24,657,718	24,657,718	208,095	45,247,153	0	

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Statutory auditors' report on the financial statements

For the year ended December 31, 2022

To the Shareholders' Meeting of Dexia Crédit Local,

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, 2022.

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, 2022 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, 2022 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.

In addition, the services other than the certification of the financial statements that we have provided during the year to your company and the entities it controls, and which are not mentioned in the management report or the notes to the consolidated financial statements are as follows:

– Consultations on accounting and regulatory matters

– Issuance of certificates and reports required by law and regulations.

Justification of Assessments – Key Audit Matter

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments and in addition to the matter described in the Material Uncertainty Related to Going Concern section, 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 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 and 1.4 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 12, 2022, is based, among others, on the following assumptions and uncertainties: – Within the framework of the preparation of the 2022 financial statements, Dexia Crédit Local has retained a "central" macroeconomic scenario, drawn up based on the most recent projections of the European Central Bank, published in December 2022, supplemented by the scenarios published by the national central banks when available – 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; – the continuation of the resolution plan assumes that Dexia Crédit Local maintains a sound funding capacity, which relies 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, 2022; The assessment of all the elements underlying the business plan must also be made in the context of persistent geopolitical and monetary pressures and disruptions in supply chains, including reductions in the energy supply 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. After taking account of all 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 financial statements, in accordance with IAS 1: "Presentation of Financial Statements".	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, 2022 (Liquidity Coverage Ratio, Common Equity Tier 1) in light of the requirements applicable at that date to the Dexia Group; – we have discussed with management the assumptions underlying the most recent version of the business plan revised at the end of June 2022 and approved by the Board of Directors on December 12, 2022; – Regarding the events that occurred after the closing date and related to the situation of the banking sector in the United States and in Europe and its consequences on the financial markets, we have taken note of management's assessment of the effects on the 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.

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. Within the framework of the Group's operational transformation, Dexia Crédit Local signed a contract in the first half of 2022 to transfer its credit back-office activity to a new banking service provider, to be implemented in the second half of 2023. 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 (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. 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 uncertain geopolitical and economic conditions. 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 uncertain geopolitical conditions, 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, 2022, the gross amount of doubtful and non-performing loans was €684 million, while specific and collective impairment amounted to €207 million. Finally, the cost of risk for Dexia Crédit Local was a net charge of €25 million. We considered the assessment of credit risk and the measurement of impairment in a context marked by uncertain geopolitical and economic conditions to be a key audit matter as they require judgement and estimates by management.	We have reviewed the adequacy of the control process related to credit risk and tested the operating effectiveness of the key controls implemented by 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 uncertain geopolitical and economic conditions. 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 context of uncertain geopolitical and economic conditions.

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, 2022, forward financial instruments represented €196,5 billion in off-balance sheet commitments, and bonds and other fixed income securities totaled €10 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 Crédit 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 €537 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.	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 12, 2022 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, 2023, and in the other documents addressed to the shareholders with respect to the financial position and the financial statements, except for 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 présentation of the financial statements to be included in the annual financier 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, 2022, Deloitte & Associés was in its 15th year of uninterrupted engagement and Mazars in its 27th 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 19, 2022

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS
Virginie CHAUVIN	Laurence KARAGULIAN	Charlotte VANDEPUTTE

2022

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 development and housing schemes, or which have entered into an agreement with a local government 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 business purpose on behalf of agencies and institutions set up to serve the public interest.

Fiscal year	The Company's fiscal year begins 1 January and ends 31 December.
Appropriation of net income	Net income for the year, less any prior-year losses and the appropriations provided for in Article 37 of the by-laws (5% for the legal reserve prescribed by law) plus any retained earnings, is available for distribution to shareholders. The shareholders' meeting determines the fraction of income available for distribution to be paid out to shareholders in the form of dividends, based on the recommendations of the Board of Directors. The balance of income available for distribution, if any, is allocated either to retained earnings or to one or more reserves, by resolution of the Shareholders' Meeting, which also approves the use to be made of said reserves. The shareholders' meeting may also resolve to pay dividends out of distributable reserves; in this case, the related resolution must clearly indicate from which reserves the dividends are to be taken. Insofar as possible, dividends are, however, taken first from distributable income for the period. The terms and conditions for payment of dividends are set by the share-holders' meeting or, failing that, by the Board of Directors, but dividends must be paid within nine months of the fiscal year-end, unless this period is extended by order of the President of the French Commercial Court ruling on an application by the Board of Directors. Notwithstanding the foregoing, and in the cases provided for by applicable legislation, the Board of Directors is authorized to pay interim dividends to be deducted from the total dividends for the year just ended or the current year, prior to the approval of the related financial statements. The amounts and payment dates of such interim dividends will be decided by the Board of Directors. When the final dividend is set, the shareholders' meeting will be responsible for verifying that the provisions of the above-mentioned paragraph have been fully complied with in respect of the total dividend (including any interim dividend).
Shareholders' meetings	**Notice of shareholders' meetings** Shareholders' meetings are called in accordance with applicable regulations. They are conducted at the Company's registered office or any other location mentioned in the meet-ing notice. All shareholders are entitled to obtain copies of the documents they need to be able to make informed decisions and to make a reasoned assessment of the management and control of the Company. The types of documents concerned and the rules governing their transmission to or consul-tation by shareholders are prescribed by law and all applicable regulations. **Right to attend shareholders' meetings** All shareholders are entitled to attend shareholders' meetings upon presentation of proof of identity, provided that their shares are fully paid-up. Shareholders may choose to be represented by another shareholder. Proxies should be filed at the registered office at least five days before the shareholders' meeting. **Voting rights** Shares carry voting rights based on the proportion of capital represented. Each share entitles the owner to one vote. Each person present at the shareholders' meeting is entitled to exercise one vote for each share held and for each share for which he or she holds a proxy.
Place where Company's legal documents may be viewed	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 pro-active strategy of reducing business and the balance sheet through the sale of its commercial franchises and asset portfolios. The year 2022 was marked by the continued simplification of the international network, and the deployment of structuring actions concerning the revision of the operational model, in particular outsourced services and their implementation methods.
Trends	Subject to the risks and contingencies identified in the present Annual Report, 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 abovementioned.
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 96 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 2023

Pierre Crevits
Chief Executive Officer

Dexia Crédit Local's annual report 2022 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
VAT: FR 49 351 804 042

DEXIA
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