Press release

DEXIA

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Dexia Group consolidated results 2022[1]

Progress on the Group's resolution

- *Ongoing simplification of the network of entities and implementation of the merger by absorption of Dexia Crediop by Dexia Crédit Local*
- *Target volume of disposals set by the Board of Directors in 2019 for the 2019-2022period reached , at a cost of 35% less than the allocated loss budget*
- *Implementation of structural actions concerning the redesign of the operating model, in particular partnerships with Citi and Arkéa for the management of payments and loan back-office respectively*

Positive net income of EUR +5 million as at 31 December 2022 against EUR -344 million as at 31 December 2021

- *Significant weight of taxes and regulatory contributions (EUR -65 million) in the recurring elements (EUR -260 million)*
- *Accounting volatility elements (EUR +312 million) driven by the positive contribution of the benchmark reform (IBOR)*
- *Non-recurring elements (EUR -46 million) mainly linked to the Group's deleveraging and transformation strategy and benefiting from a gain on the restructuring of derivatives*

Balance sheet down sharply by 35% to EUR 64.3 billion as at 31 December 2022

- *Balance sheet reduction due to lower cash collateral and fair value elements (EUR -27 billion) as a result of higher interest rates and, to a lesser extent, to the reduction of asset portfolios (EUR -2.4 billion)*
- *As at 31 December 2022, cash collateral at EUR 8.3 billion and funding requirement at EUR 44.8 billion, a EUR 16.8 billion decrease over the year*
- *Taking these elements into account, long-term issuance activity during the year was limited to one public transaction for an amount of GBP 750 million in 2022*

Robust "Total Capital" ratio at 41%[2] as at 31 December 2022

Pierre Crevits, Dexia CEO, states, "The *year 2022 was marked by a contrasting macroeconomic environment, characterised on the one hand by a particularly complex geopolitical situation and on the other hand by the continuing rise in interest rates, which was favourable to Dexia. Within this context, the Group recorded a significant reduction in its balance sheet and its funding requirements, which increased its resistance to possible liquidity stress and further improved its solvency ratios, which are at a high level. I salute the constant commitment of staff members who, once again this year, have done a remarkable job in managing the Group's resolution."*

Gilles Denoyel, Chairman of the Dexia Board of Directors, states, "*Last year, our Group accelerated its transformation, in particular with the launch of the merger by absorption of its Italian subsidiary by Dexia Crédit Local and the adaptation of its operating model in the field of payments and loans. It also continued to reflect on its longer-term strategic orientations. I would like to thank Dexia's management and teams for their unfailing commitment to the Group's resolution and I am delighted with the strong support of the Belgian and French States, which are backing the company's activity and reflections.*"

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

Introduction

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 more than EUR 34 billion of the balance sheet total for the year, at EUR 64.3 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 the Group in 2022 is slightly positive at EUR +5 million, driven in particular by the positive contribution related to the reform of the benchmark indices (IBOR).

Dexia 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).

The Board of Directors of Dexia SA met on 10 March 2023 and approved the statement of income and balance sheet of Dexia SA for the year 2022. The annual report of the Dexia Group will be published on 9 May 2023 on the website *www.dexia.com*.

1. Significant events and transactions

- *Progress on the simplification of the network and implementation of the merger by absorption of Dexia Crediop by Dexia Crédit Local*
- *Implementation of structuring actions concerning the revision of the operational model, in particular partnerships with Citi and Arkéa for the management of payments and the loan back-office respectively*
- *Continuation of the asset disposal programme and achievement of the target volume set in 2019.*

A. Progress on the Group's resolution

Simplification of the Dexia Group network of entities

Italy

During the year 2022, Dexia 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 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 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. The project is expected to be completed in 2023.

In 2023, the Group will continue the simplification of its North American entities.

France

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

Evolution of the Group's 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 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 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 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 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 low volumes.

Finally, in early January 2023, the Group 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 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 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 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 reached the target volume of disposals which had been set by the 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 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, the Group has no direct exposure to Ukraine or Russia, and no exposure to the Russian rouble (RUB) or the Ukrainian hryvnia (UAH).

B. 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 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 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 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 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 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 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[3], 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 in the 2021 annual report and is recorded in accounting volatility items. 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.

[3] *Phase 2 as from 1 January 2021.*

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 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.

C. Evolution of the Group governance

On 26 January 2023, the Board of Directors of Dexia 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 Dexia's Ordinary Shareholders' Meeting on 24 May 2023.

On 10 March 2023, the Board of Directors of Dexia co-opted Ludovic Planté as a 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 on 24 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 Crédit Local.

D. Prudential capital requirements applicable to Dexia and its subsidiaries for 2023

On 30 November 2022, the ACPR informed Dexia 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.

The Dexia Group 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 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. As a consequence, Dexia's countercyclical buffer requirement is estimated at 0.6% until 7 April 2023, to 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 capital requirement will amount to 16% as from 1 July 2023.

On 22 December 2022, the ACPR also confirmed that Dexia 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.

2. Annual results 2022

- *Recurring elements (EUR -260 million) marked by taxes and regulatory contributions (EUR -65 million)*
- *Accounting volatility elements (EUR +312 million) driven by the positive contribution of the benchmark reform (IBOR)*
- *Non-recurring elements (EUR -46 million) mainly linked to the Group's deleveraging and transformation strategy and benefiting from a gain associated with the restructuring of derivatives*

A – Presentation of the Dexia consolidated financial statements as at 31 December 2022

Going concern

The Dexia consolidated financial statements as at 31 December 2022 have been prepared in accordance with the going concern basis of accounting in accordance with IAS 1 § 25 and 26. This involves a certain number of assumptions constituting the business plan underlying the resolution of the Dexia Group, developed in Appendix 1 to this Press Release.

B – Dexia Group consolidated annual statements

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

The net income Group share of EUR +5 million as at 31 December 2022 is composed of the following elements:

- EUR -260 million attributable to recurring elements;
- EUR +312 million linked to accounting volatility elements;
- EUR -46 million generated by non-recurring elements.

Analytical presentation of the Dexia Group 2022 results

(in EUR million)	Recurring elements	Accounting volatility elements	Non-recurring elements	Total
Net banking income	***37***	***312***	***-12***	***336***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	*-275*	*0*	*-34*	*-309*
Gross operating income	***-239***	**312**	**-46**	**27**
Cost of credit risk	*-3*	*0*	*0*	*-3*
Net result before tax	***-242***	***312***	***-46***	***24***
Income tax	*-19*	*0*	*0*	*-19*
Net income	***-260***	**312**	**-46**	**5**
Minority interests	*0*	*0*	*0*	*0*
Net income, Group share	***-260***	***312***	***-46***	***5***

Recurring elements

Recurring elements		
(in EUR million)	**2021**	**2022**
Net banking income	***27***	***37***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-279***	***-275***
o/w Expenses excl. operational taxes	*-225*	*-211*
o/w Operational taxes	*-54*	*-65*
Gross operating income	***-252***	***-239***
Cost of credit risk	*117*	*-3*
Net result before tax	***-136***	***-242***
Income tax	*2*	*-19*
Net income	***-133***	***-260***
Minority interests	*0*	*0*
Net income, Group share	***-133***	***-260***

The net income, Group share, generated by recurring elements was EUR -260 million as at 31 December 2022, compared to EUR -133 million at the end of December 2021.

The net banking income mainly reflects the net interest margin, which corresponds to the cost of carrying assets and the Group's transformation result. The net interest margin increased by EUR 10 million compared to 31 December 2021, to EUR +47 million as at 31 December 2022, mainly due to the decrease in cash collateral, induced by the rise in interest rates, favourable for the transformation result.

At EUR -275 million, costs are down slightly by EUR 4 million compared to 31 December 2021, as efforts to control general operating expenses (EUR -14 million) are partially offset by an increase in taxes and regulatory contributions (EUR +11 million). Indeed, the contribution to the Single Resolution Fund is up, following the revision by the Single Resolution Board of its assumptions on the volume of European deposits.

The main change in the recurring result compared to 31 December 2021 is the cost of risk. As at 31 December 2022, it amounted to EUR -3 million, compared to an amount of EUR +117 million as at 31 December 2021, characterised by numerous reversals of provisions. The cost of risk for the year is 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 of 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 positive impact of rising 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 in the provisioning rate of the Tunisian sovereign exposure from 51% to 56%.

Taxes amounted to EUR -19 million.

Accounting volatility elements

Driven by the positive contribution of the reform of the benchmarks (IBOR), the accounting volatility elements are strongly positive at EUR +312 million at the end of December 2022 against EUR +33 million as at 31 December 2021. The main components of the annual result are:

- EUR +329 million income related to the transition of fair value hedging derivatives contracts indexed on GBP LIBOR within the context of the benchmark reform (cf. Significant events and transactions section of this press release),
- an unfavourable impact (EUR -107 million) on fair value hedging inefficiencies, mainly linked to the tightening of spreads on Currency Basis Swaps,
- a positive impact (EUR +58 million) of the Funding Value Adjustment (FVA), the Credit Value Adjustment (CVA) and the Debit Valuation Adjustment (DVA),
- a positive change in the value of assets classified at fair value through profit or loss (EUR +24 million).

Non-recurring elements

Non-recurring elements amounted to EUR -46 million as at 31 December 2022 compared to EUR -203 million as at 31 December 2021 and include:

- losses related to asset disposals under the deleveraging programme, for an amount of EUR -46 million, compared to EUR -130 million as at 31 December 2021,
- a net positive impact of provisions for litigation of EUR +8 million,
- an impact of EUR -34 million, mainly related to restructuring and transformation costs, within the context of the Group's resolution,
- A net positive impact of EUR +26 million, in particular associated with the restructuring of derivatives and the optimisation of the funding of the Group’s credit lease entities.

Non-recurring elements

(in EUR million)	2021	2022
Net banking income	***-156***	***-12***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	***-18***	***-34***
o/w Expenses excl. operational taxes	*-18*	*-34*
o/w Operational taxes	*1*	*0*
Gross operating income	***-174***	***-46***
Cost of credit risk	*0*	*0*
Net gains or losses on other assets	*0*	*0*
Net result before tax	***-174***	***-45***
Income tax	*-54*	*0*
Result from discontinued operations, net of tax	*25*	*0*
Net income	***-203***	***-46***
Minority interests	*0*	*0*
Net income, Group share	***-203***	***-46***

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

A – Balance sheet and solvency

- *Balance sheet down by 35% compared to the end of 2021, to EUR 64.3 billion as at 31 December 2022, driven by higher interest rates*
- *Robust Total Capital Ratio at 41%[4] as at 31 December 2022, compared to 31.6% as at 31 December 2021*

a – Annual balance sheet evolution

As at 31 December 2022, the Group's consolidated balance sheet total amounted to EUR 64.3 billion, compared to EUR 98.7 billion as at 31 December 2021, i.e. a decrease of EUR 34.4 billion, mainly driven by higher interest rates.

The asset portfolio now stands at EUR 32.9 billion and is composed of EUR 18.9 billion in bonds and EUR 15.4 billion in loans, mainly denominated in euros. It includes Italian sovereign and European public sector exposures (France, Italy, Spain, Portugal) as well as residual portfolios of UK, US and Japanese assets.

On the assets side, the decrease of the balance sheet is explained, at a constant exchange rate, by the very strong decrease of fair value items (EUR -14.7 billion), of 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, the evolution of the balance sheet is mainly reflected, at a constant exchange rate, by the decrease of fair value items and cash collateral received (EUR -17.3 billion) and by the reduction of the market funding stock (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.

b - Solvency

As at 31 December 2022, Dexia Group's total capital amounted to EUR 6.7 billion, against EUR 6.5 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 -51 million as at 31 December 2021, and was reduced to zero as at 31 December 2022, due to the actions undertaken by the Group to reduce its concentration risk[5],
- 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 a number of recommendations. As a consequence, Dexia 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

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

as at 31 December 2021, resulting from the use, since the first quarter of 2022, of the simplified method for this calculation[6].

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.

As at 31 December 2022, risk-weighted assets amounted to EUR 16.4 billion against EUR 20.6 billion at the end of December 2021, of which EUR 13.4 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.

Taking these elements into account, Dexia's Total Capital ratio amounted to 41%[7] as at 31 December 2022, against 31.6% at the end of 2021, a level higher than the minimum required for the year 2022 within the framework of the Supervisory Review and Evaluation Process.

As at 31 December 2022, Dexia Crédit Local's Total Capital ratio is also above the minimum requirement at 35.7%[7], compared to 27.6% as at 31 December 2021.

B – Evolution of the Dexia Group liquidity situation

- *Decrease of the net cash collateral from EUR 10.7 billion over the year to EUR 8.3 billion as at 31 December 2022, leading to a sharp reduction of the funding requirement*
- *Given these elements, long-term issuance activity limited over the year*
- *High LCR level, in line with the strategy validated in 2017*
- *Liquidity reserve of EUR 10.8 billion at the end of December 2022, calibrated to the end of access to European Central Bank facilities as at 1 January 2022*

The rise of interest rates, which began in 2021, continued in 2022 with positive consequences for Dexia. Indeed, the net cash collateral posted by the Group 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 Group's funding requirements over the year, to EUR 44.8 billion as at 31 December 2022. Given this favourable development, the Group's long-term issuance activity was limited to one successful public transaction launched in January 2022 for a total amount of GBP 750 million.

In terms of funding mix, secured funding amounted to EUR 5.5 billion as at 31 December 2022 and State-guaranteed funding represented 84% of outstanding funding, or EUR 37.6 billion. The Group's liquidity reserve amounted to EUR 10.8 billion, of which EUR 3.6 billion in cash. The Group has no longer had access to European Central Bank refinancing since 1 January 2022, and this has mechanically reduced the proportion of reserves which can be mobilised in the event of stress. The eligible securities were partly used to raise secured funding and partly deposited on the EUREX and RepoClear platforms to reconstitute liquidity reserves. 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.

[6] *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.*
[7] *The ratio includes the positive net result of the half-year.*

As at 31 December 2022, the Group's Liquidity Coverage Ratio (LCR) is 177% compared to 176% as at 31 December 2021. The LCR ratio is also met at subsidiary level, with each subsidiary exceeding the minimum requirement of 100%. The Group's Net Stable Funding Ratio (NSFR) is 163%, stable compared to 31 December 2021.

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

Appendices

Appendix 1 – Going concern

The Dexia condensed financial statements as at 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 Group's resolution which was the subject of a decision by the European Commission in December 2012 and reassessed on the basis of the elements available at the date of closing the accounts.

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

- The continuation of the resolution assumes that Dexia 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 Group's ability to raise secured funding. Since 1 January 2022, Dexia Crédit Local's issues have benefited from the 2022 guarantee, which extends the 2013 guarantee, after it expired on 31 December 2021.
- Although it manages these risks very proactively, the Dexia Group remains extremely sensitive to the evolution of the macroeconomic environment and to market parameters such as exchange rates, interest rates or credit spreads. An unfavourable evolution of these parameters in the long term could weigh on the Group's liquidity and solvency level. It could also have an impact on the valuation of assets, financial liabilities or OTC derivatives, the changes in the fair value of which are recognised in the income statement or through equity and are likely to result in a change in the Group's regulatory capital level.
- The Group is also exposed to certain operational risks, specific to the resolution environment in which it operates.
- Finally, residual uncertainties related, for example, to new developments in accounting and prudential rules over the duration of the Group's resolution could lead to a significant change in the initially anticipated resolution trajectory.

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

- Since the Group entered into orderly resolution, Dexia has continuously reduced its funding requirement and 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 the Group has maintained a liquidity reserve deemed adequate with the restriction on access to European Central Bank (ECB) funding effective from 1 January 2022, long-term issuance activity was limited to one benchmark successfully launched in January 2022 for a total amount of GBP 750 million. As at 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 condensed 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, Dexia 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's management has therefore decided to consider as a basic macroeconomic scenario an equal combination of the central scenario and the ECB's downside scenario.

- 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's specific character as a bank in resolution.

Consequently, after having taken all these elements and uncertainties into account, Dexia's management confirms that, as at 31 December 2022, they do not call into question the fundamentals of the orderly resolution of the Group or the assessment of the application of the going concern assumption. As a consequence, the condensed financial statements can be prepared in accordance with the going concern accounting rules under IAS 1 § 25 and 26.

Appendix 2 – Consolidated income statement (unaudited data)

Consolidated income statement - ANC format		
(in EUR million)	2021	2022
Net banking income	***-126***	***336***
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	-298	-309
Gross operating income	***424***	***27***
Cost of credit risk	117	-3
Net result before tax	***-307***	***24***
Income tax	-52	-19
Result from discontinued operations, net of tax*	25	0
Net result	***-334***	***5***
Minority interests	0	0
Net income, Group share	***-334***	***5***

Appendix 3 – Balance sheet key figures (unaudited data)

Main aggregates of the balance sheet – ANC format

(in EUR million)	31/12/2021	31/12/2022
Total assets	**98,650**	**64,288**
of which		
Cash and central banks	9,753	2,024
Financial assets at fair value through profit or loss	9,280	3,497
Hedging derivatives	662	1,759
Financial assets at fair value through other comprehensive income	1,902	1,581
Financial assets at amortised cost - Debt securities	34,767	26,961
Financial assets at amortised cost - Interbank loans and advances	17,308	6,887
Financial assets at amortised cost - Customer loans and advances	24,506	21,370
Total liabilities	**92,083**	**57,580**
of which		
Financial liabilities at fair value through profit or loss	10,116	4,126
Hedging derivatives	16,714	8,352
Interbank borrowings and deposits	6,451	2,960
Customer borrowings and deposits	8,819	4,765
Debt securities	49,406	36,690
Total equity	**6,567**	**6,708**
of which		
Equity, Group share	6,511	6,652

Appendix 4 – Capital adequacy (unaudited data)

(in EUR million)	31/12/2021	31/12/2022
Common Equity Tier 1	6,410	6,605
Total Capital	6,506	6,701
Risk-weighted assets	20,580	16,338
Common Equity Tier 1 ratio	31.1%	40.4%[8]
Total Capital ratio	31.6%	41.0%[8]

[8] *The ratio includes the positive net result for the year.*

Appendix 5 – Exposure to credit risk (unaudited data)

Exposure by geographic zone

(in EUR million)	31/12/2021	31/12/2022
Italy	16,335	13,406
United Kingdom	18,116	11,114
France	19,594	9,553
United States and Canada	4,075	3,486
Spain	3,890	3,006
Portugal	3,381	2,378
Belgium	2,279	2,287
Japan	2,873	2,157
Australia	1,169	1,016
Germany	743	766
Central and Eastern Europe	643	423
Other countries	718	889
Total	**73,816**	**50,484**

Exposure by category of counterparty

(in EUR million)	31/12/2021	31/12/2022
Local public sector	28,128	20,696
Central governments	26,458	15,656
Financial institutions	4,491	4,277
Project finance	5,921	4,207
Corporate	5,827	3,043
Monolines	1,254	1,142
ABS/MBS	1,182	1,052
Other	555	410
Total	**73,816**	**50,484**

Exposure by rating (internal rating system)

(in EUR million)	31/12/2021	31/12/2022
AAA	21.2%	14.4%
AA	4.9%	6.1%
A	19.7%	21.5%
BBB	45.6%	48.5%
Non-Investment Grade	7.2%	8.6%
D	0.6%	0.6%
Not Rated	0.6%	0.5%
Total	**100%**	**100%**

Appendix 6 – Group sector exposure (unaudited data)

Group sector exposure to certain countries

(in EUR million)	***Total***	*o/w local public sector*	*o/w corporate and project finance*	*o/w financial institutions*	*o/w ABS/ MBS*	*o/w sovereigns*	*o/w monolines*
Italy	**13,406**	6,006	33	98	1,030	7,252	0
United Kingdom	**11,114**	5,186	3,593	499	6	0	800
France	**9,553**	3,297	1,097	1,241	0	3,387	297
United States and Canada	**3,486**	1,222	1,154	692	0	372	45
Spain	**3,006**	2,253	447	39	162	252	0
Portugal	**2,378**	488	28	0	0	1,862	0
Belgium	**2,287**	0	12	199	0	2,072	0
Japan	**2,157**	1,966	0	191	0	0	0

Group sectorial exposure per rating

(in EUR million)	**Total**	*AAA*	*AA*	*A*	*BBB*	*NIG°*	*D*	*No rating*
Local public sector	**20,696**	1,222	1,877	5,161	8,697	3,627	109	2
Sovereigns	**15,656**	5,835	0	633	9,118	0	41	0
Financial institutions	**4,277**	0	154	3,469	637	2	0	16
Project finance	**4,207**	0	0	349	3,035	670	153	0
Corporate	**3,043**	0	0	56	2,958	16	0	13
Monolines	**1,142**	0	0	1,142	0	0	0	0
ABS/MBS	**1,052**	0	1,024	0	0	28	0	0
Other	**410**	199	0	0	13	0	0	198
Total	**50,484**	**7,256**	**3,055**	**10,839**	**24,458**	**4,343**	**303**	**229**

Appendix 7 – Asset quality (unaudited data)

Asset quality

(in EUR million)			**31/12/2021**	**30/12/2022**
Impaired assets(1)			577	503
Specific impairments(2)			164	167
	Of which	*Stage 3*	*157*	*160*
		POCI	*6*	*7*
Coverage ratio(3)			28.5%	32.2%
Collective provisions			164	136
	Of which	*Stage 1*	*9*	*14*
		Stage 2	*155*	*122*

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

Appendix 8 – Ratings

Ratings as at 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+

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