Annual report **2013**

DEXIA CRÉDIT LOCAL

Registration document

Registration document 2013

This free translation of the registration document published in French language is provided solely for the convenience of English-speaking readers.
The French version of the Dexia Crédit Local registration document *(document de référence)* was filed with the French Financial Markets Authority (Autorité des marchés financiers or AMF) on 3 April 2013, in compliance with Article 212-13 of the AMF's General Regulations.

Management report

Message from the chairmen

Dear Shareholders,

2013 was a pivotal year for Dexia in the implementation of its orderly resolution plan. The validation of this plan by the European Commission at the end of 2012 paved the way for a EUR 5.5 billion capital increase of Dexia SA subscribed by the Belgian and French States and the granting of a EUR 85 billion liquidity guarantee by the Belgian, French and Luxembourg States. With this new framework in place, we have completed almost all of the required disposals of our commercial franchises, rolled out the Group's new guaranteed funding programme, and implemented the "dismantling" of certain activities necessitated by the disposal and separation of businesses. The Group has begun implementing a restructuring and integration process of its remaining entities, mainly located in ten countries, aimed at optimising the run-off management of a balance sheet that still totals EUR 223 billion at the end of 2013. To fulfill its mission of safeguarding the financial interests of our shareholders and guarantors, Dexia has identified three strategic objectives: secure the Group's liquidity at all times, ensure business continuity in order to carry out the orderly resolution plan and maintain the Group's solvency.

Disposals and split-ups

During the past year, we actively pursued the disposal programme of the commercial entities as established in the orderly resolution plan. Société de Financement Local (SFIL), a spin-off of Dexia Crédit Local, was sold, contributing to the creation of a new funding mechanism for the local public sector in France. In addition, with the disposals of insurance broker Sofaxis, Dexia Bail, and Dexia Asset Management (DAM), finalised in January 2014, and the sale of Dexia SA's interest in Popular Banca Privada on 19 February 2014, we have completed the disposal programme imposed by the European Commission. In total, these efforts, combined with the natural amortisation of assets, have reduced Dexia's balance sheet by EUR 134 billion in 2013.
The disposals involved an extensive undertaking to "dismantle" the activities that were previously performed by various subsidiaries. The short-term secured financing (repo) business, previously carried out by the bank in Belgium, now Belfius Bank, needed to be recreated – rebuilding teams, information systems and a business framework that allows us to reestablish partnerships with financial counterparties. Similarly, the separation of Dexia Crédit Local's (DCL) French activities into two entities – DCL which is in resolution and SFIL which is intended to ensure the long-term viability of a new funding mechanism for local authorities – has been a complex process, requiring the duplication of teams and information systems, and resulting in the relocation of more than 260 employees so far and which will likely take several quarters.

Run-off balance sheet management and refinancing

The disposals of operational or financial assets, the portfolio's natural run-off, and exchange rate effects contributed to a significant reduction in the size of the Group's balance sheet, down from EUR 357 billion at year-end 2012 to EUR 223 billion at the end of 2013. The Group's balance sheet stands out from other banks in resolution due to the high-quality composition of its asset portfolio, 86% of which is investment grade, and portfolio's long-term maturity profile.

Primarily booked between 2006 and 2008, assets in our portfolio have relatively low credit margins and would result in significant losses for the bank and the guarantor States if sold under current market conditions. Since the portfolio is protected against fluctuations in interest rates, selling off the assets would also entail unwinding hedges which could prove to be expensive. As a result, the resolution needs to be managed over a long timeframe. The "run-off" management is, nevertheless, very active, consisting of the careful monitoring and optimisation of risks and benefits from a cost of risk that is lower than that of other banks, both active or engaged in resolution processes.

After the guarantee was granted by the Belgian, French and Luxembourg States, replacing the costly guarantee from 2011, we launched short- and long-term State-guaranteed issuance programmes in euros and dollars that have allowed us to raise a total of EUR 7.1 billion in 2013. At 31 December 2013, the nominal amount of the State-guaranteed issues reached EUR 75 billion, including more than EUR 9 billion in reserve at the Central Bank. The Group is also actively developing a secured financing (repo) platform that should ultimately help reduce the level of central bank funding. These efforts have improved the financing structure of the Group which now has more diversified, lower-cost and longer-term funding sources. By the end of 2013, the use of central bank funding was reduced to 20%, State-guaranteed funding represented 33%, secured funding accounted for 33%, and the balance was comprised of "unsecured" funding. The liquidity position of the Group also improved significantly in 2013, although it remains sensitive to changes in external factors that we will carefully monitor since a significant amount of funding transactions reach maturity during the first half of 2015.

The reduction of weighted risks helped strengthen Dexia SA's CAD ratio to 22.4% at 31 December 2013.

Integration and restructuring

In order to adapt the company to its diminished scope, while taking into account the fact that its assets and teams are still spread across several main entities located in Belgium, France, the United Kingdom, Germany, Italy, Spain, Ireland and the United States and each with its own value chain, we have launched a major restructuring and integration process.

Dexia remains the largest run-off banking group in Europe and it will take time to accomplish our mission. That is why we would like to take this opportunity to thank our guarantors, our shareholders and our teams for all the efforts made to enable Dexia to effectively manage the run-off of its assets over time.

Robert de Metz
Chairman of the Board of Directors

Karel De Boeck
Chief Executive Officer

Dexia Crédit Local Group profile

Historically active in public sector finance, Dexia Crédit Local is the main operating company of the Dexia Group. Headquartered in France, where it maintains a banking license and carries the majority of the Group's assets, Dexia Crédit Local still has an international presence through its branches in Ireland and the United States and its subsidiaries in Germany, Spain, Italy, Great Britain and Israel. Dexia Sabadell, the subsidiary of Dexia Crédit Local in Spain, also has a branch in Portugal. As at 31 December 2013, Dexia Crédit Local had 1,310 members of staff.

The Group's parent company, Dexia SA, is a public company under Belgian law whose shares are listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Since the end of 2012, following Dexia SA's capital increase, the Group has been 94.4% owned by the Belgian and French States. It has been managed in orderly resolution since the end of 2011.

Dexia's orderly resolution plan, which was approved by the European Commission in December 2012, aims to avoid the Group's bankruptcy and liquidation which, given its residual size, would be liable to destabilise the entire European banking sector. The plan calls for the disposal of those commercial entities considered viable in the long term and the management in run-off of the Group's residual assets. To enable Dexia to successfully complete this orderly resolution, the Belgian and French States proceeded to a EUR 5.5 billion capital increase of Dexia SA in December 2012. Together with the Luxembourg State, they also provided Dexia Crédit Local with a EUR 85 billion funding guarantee. As a result, Dexia Crédit Local is the Group's issuer under the guaranteed scheme.

Following the orderly resolution plan, Dexia SA and Dexia Crédit Local no longer have any commercial activities and have disposed of the majority of their viable operating entities. Combined with the natural amortisation of asset portfolios, those disposals resulted in a EUR 140 billion reduction of Dexia Crédit Local's balance sheet, to EUR 222 billion and EUR 362 billion as at the end of 2013 and 2011 respectively.

The resolution of the Group will have to be executed over a long time period given the maturity profile of its assets. In this perspective, the orderly resolution plan assumes Dexia's asset portfolio to be gradually reduced to EUR 91 billion in 2020 and EUR 15 billion in 2038.

The orderly resolution plan of Dexia Group targets a rapid convergence of the Dexia SA scope towards the scope of its subsidiary Dexia Crédit Local S.A. As an example, Dexia Crédit Local's consolidated balance sheet amounted to EUR 222 billion at the end of 2013 compared to EUR 223 billion for the Dexia Group. In addition, the governance of both Dexia SA and Dexia Crédit Local have been simplified and integrated with the members of the Dexia SA Management Board and Board of Directors being also members of Dexia Crédit Local.

As at 31 December 2013, Dexia Crédit Local's portfolio was 86% investment grade, reflecting the bank's former position as a leader in public and project finance, with a focus on public sectors in Europe and the United States, and more marginally on European sovereigns.

The disposal of all commercial franchises, as planned under the resolution plan, enables Dexia and Dexia Crédit Local to focus on their mission of managing the residual assets over the long term while seeking to preserve the interests of the Group's State shareholders and guarantors. To meet this objective, Dexia Crédit Local will have to maintain its ability to refinance its balance sheet and preserve its capital base by cautiously managing its portfolio, carefully monitoring risks and reducing its cost base. Dexia and Dexia Crédit Local will need to maintain business continuity in managing their balance sheet, by retaining the necessary expertise and resources and by adapting information systems as good as possible.

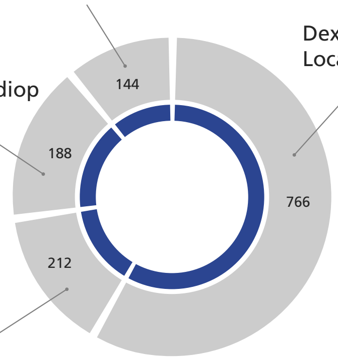
These three objectives are the basis of the "Company Project", initiated in 2013 and to be rolled out in 2014 with the aim of optimising the Group's organisation and structure in line with its mission.

Key figures

BALANCE SHEET (in billions of EUR)	**31/12/2009**	**31/12/2010**	**31/12/2011**	**31/12/2012**	**31/12/2013**
Balance-sheet total	360	361	362	356	222

RESULTS (in millions of EUR)	**2009**	**2010**	**2011**	**2012**	**2013**
Net income Group share	269	(696)	(2,701)	(2,040)	(904)

MEMBERS OF STAFF
DEXIA CRÉDIT LOCAL GROUP



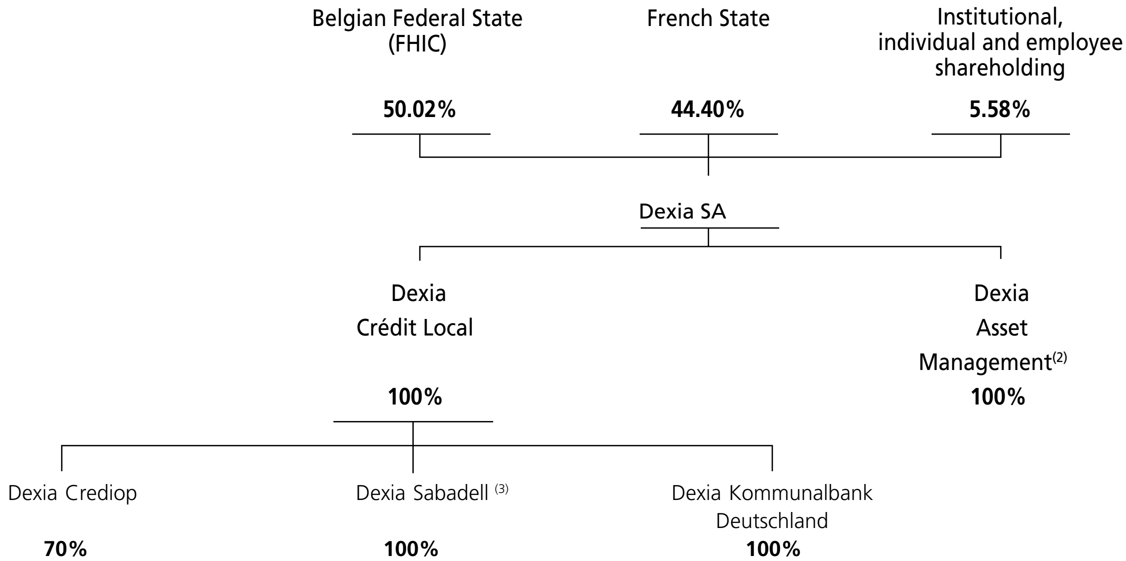
RATINGS AS AT 14 APRIL 2014	**Long term**	**Outlook**	**Short term**
Dexia Crédit Local			
Fitch	A	Negative outlook	F1
Moody's	Baa2	Negative outlook	P-2
Standard & Poor's	BBB	Stable outlook	A-2
Dexia Crédit Local (debt guaranteed by the Belgian, French and Luxembourg States)			
Fitch	AA	-	F1+
Moody's	Aa3	Stable outlook	P-1
Standard & Poor's	AA	-	A-1+
Dexia Kommunalbank Deutschland (*Pfandbriefe*)			
Standard & Poor's	A	Stable outlook	-
Dexia LDG Banque (*lettres de gage*)			
Standard & Poor's	BBB	Stable outlook	A-2

Board of Directors of Dexia Crédit Local (31 March 2014)

	Chairman		
	Robert de Metz		
	Director - Chief Executive Officer		
	Karel De Boeck		
	Executive vice-presidents		
Alain Clot (until 31 December 2013)	Claude Piret	Philippe Rucheton (until 31 December 2013)	Pierre Vergnes (since 1 January 2014)
	Directors		
Delphine d'Amarzit Alexandre De Geest	Patrick Bernasconi[(1)] Thierry Francq	Paul Bodart Koenraad Van Loo	Bart Bronselaer Marleen Willekens

(1) As a representative of Fédération Nationale des Travaux Public until 6 August 2013 and in his own name after that date.

DEXIA GROUP SIMPLIFIED STRUCTURE[(1)]



[(1)] The main subsidiaries and holdings of Dexia Crédit Local are mentioned in the notes to the financial statements on page 105.
[(2)] Entity sold on 3 February 2014. See press release published at that date.
[(3)] See note 1.3. Scope of the Dexia Crédit Local Group as at 31 December 2013 on page 105.

The Dexia Group Company Project: "What will the future profile of Dexia Group and Dexia Crédit Local Group look like?"

The Dexia Group and its main operating subsidiary Dexia Crédit Local have now achieved their target scope. Dexia Crédit Local is present in about ten countries where it manages portfolios of residual assets in run off. Taking into account the assets' amortisation profile, the resolution process will need to be managed over a long period of time during which Dexia and Dexia Crédit Local, will have to maintain operational and funding capacity. Given that each of the Group's entities has its own operating model and unique and rather decentralised organisation and information systems, defining a governance and operating model suited to the run-off management of legacy assets will be key.

In order to adapt the Group to its new context, a "Company Project" was launched in May 2013 aimed at clarifying the Group's strategic objectives and defining the governance and operating model best suited to efficiently implement the resolution plan approved by the European Commission. As the main operating subsidiary within the Groug and taking account of the convergence of the Dexia SA scope towards that of Dexia Crédit Local, Dexia Crédit Local is a the very heart of this project.

Responsibility for implementing the Company Project has been given to a "Transformation" team, which manages four transversal work streams, described below:

- Define the mission, strategic objectives and associated key performance indicators;
- Adapt the operating model: analyse the key principles of the new organisation, with particular focus on the new structure, key processes, and interactions between head office and individual entities, as well as on ways to simplify the corporate governance and the associated system of committees and delegated authorities;
- Overhaul information systems: define the target information systems architecture, taking into account current infrastructure and applications as well as the future needs of the various business lines and support functions;
- Social strategy, communication and change management: manage the transformation process resulting from the "Company Project", notably by aligning the strategy, human resource management tools and the new values defined for the Group. This work stream's objective is to ensure that the various stakeholders receive high-quality, relevant information, as well as to maintain an active dialogue with the different social partners during the change process.

The transformation process resulting from the Company Project will be spread over several years given the importance of the objectives and the profound changes made by the Group. 2014, the first stage, will lay a solid foundation by defining a clear mission, a target operating model and a simplified governance framework. Subsequently, activities will be progressively centralised and standardised, particularly by harmonising information systems and, when possible, simplifying legal structures.

Mission, strategic objectives and key performance indicators

Given the changing environment and context in which it operates, the Dexia Group had to redefine its mission. As a Group in resolution, majority-owned by the Belgian and French States, and benefiting from a funding guarantee provided by the Belgian, French and Luxembourg States, Dexia and Dexia Crédit Local's mission is now to "manage their residual assets in run off while protecting the interests of their shareholders and guarantors".

Consequently, the strategic priorities for the Group and its subsidiary have been aligned with this new mission:

- Funding capacity: as an issuer benefiting from a State funding guarantee, Dexia Crédit Local will be assured of its funding capacity during the orderly resolution of the Group;
- Operational continuity: Dexia and Dexia Crédit Local will work to avoid operational discontinuities during the implementation of the resolution plan;
- Solvency: Dexia and Dexia Crédit Local will make the necessary efforts to protect their capital base in order to meet the minimum regulatory and legal solvency requirements.

Adapting the operating model

In line with its new mission and in order achieve its strategic objectives, the Dexia Group and Dexia Crédit Local have adapted their operating structure and governance in accordance with the following principles:

- Simplification of the organisational framework of business lines, control functions and support functions in order to facilitate dialogue among them;
- Clear relationship between head office and the Group's subsidiaries and branches;
- Organisational flexibility: while remaining robust, the organisational structure will need to adapt to changes in the size of the Group, allow economies of scale and provide cost management flexibility.

Based on these principles, Dexia has decided to make the following changes to its structure. These changes will also be applied at the level of Dexia Crédit Local, except for the activities which are centralised.

- Create a business line responsible for managing the assets and tracking client relationships that will include Front Office functions and Middle Office commercial activities. This business line, named **Assets**, will consist of team members originally employed in the Risk and Treasury and Financial Markets departments;
- Create a **Funding and Markets** business line whose purpose will be to ensure and optimise funding for the Group, monitor derivatives portfolios and execute market transactions with market counterparties;
- Create a **Product Control** function within the Finance department, which combines the functions of Markets Middle Office, responsible for the day-to-day monitoring of operations and data production (including analysis, economic value calculation and reporting), with those of teams currently working in Risk, Finance and Operations departments;
- Refocus the **Risk** division on its core control functions, involving the transferring out of certain team members that manage assets and Markets Middle Office activities. In addition, the permanent control function will form part of the Compliance department reporting to the General Secretary, and teams responsible for the validation of risk models will report to the General Auditor. The permanent control function is in charge of the necessary audits, aiming at ensuring a strong and efficient risk management, high-quality accounting and financial reporting as well as performant information systems. Its relies on a control plan covering the main activity processes within the bank and whose results are reported to the Management Board on a quarterly basis.

Functional lines between Head Office and the Group's subsidiaries and branches have also been redefined. The target organisational model will include dual reporting lines, one to the heads of the business lines and one to the heads of the local entities, in order to ensure optimal coordination. As a result, the heads of those entities mainly responsible for managing assets, such as Dexia Sabadell, Dexia Management Services, Dexia or Dexia Crédit Local Dublin and Dexia Israël, will report to the head of the "Assets" activity line, while the heads of other entities (Dexia Crediop, Dexia Kommunalbank Deutschland and Dexia Crédit Local New York) will report to the Chief Executive Officer.

The Group's governance has also been modified. The committees responsible for corporate strategy, such as the Risk Committee and the Assets and Liabilities Committee (ALCo), will be organised at Management Board level. A delegation of the Management Board will be given to a newly created Transaction Committee that will be comprised of the heads of the "Assets" and "Funding and Markets" activity lines, the Chief Financial Officer, the Chief Risk Officer and the head of Legal, and will be empowered to make decisions with the required level of responsiveness.

Overhauling information systems

Dexia's IT strategy has also been reviewed to ensure that the Group has efficient, resilient and adaptable information systems throughout the resolution period. The impact of this review on the main building blocks of the Group and Dexia Credit Local's IT architecture is as follows:

- Applications and general infrastructure: the Group will ensure the operational continuity of the necessary applications and infrastructure in a cost-effective manner. With this in mind, Dexia Crédit Local's current ALM tool will be replaced. Feasibility studies have been started, focusing on the centralisation of the IT platforms associated with market transactions and lending operations;
- Data management: the Group will adapt the architecture of its databases, as well as the data available, in order to meet the needs of the various users, both upstream and downstream. Specifically, the Finance and Risk databases are currently reviewed in order to strengthen data quality and consistency, and a study has been launched with a view to exploring merging and simplifiying databases within the Group.

Social strategy, communication and change management

Reflecting the Group's strategic objectives and mission, new values have been defined within the framework of the Company Project and new human resource management tools will be put in place. The values the Group will promote are **professionalism, adaptability and cohesion**. These values will be translated into a set of behaviours to be encouraged within the company.

To support employees during the resolution period of the Group, additional training will be offered and opportunities for internal mobility will be managed centrally for all activity lines and support functions, as well as transversally with the Group's subsidiaries and branches. Moreover, special attention will be paid to the retention of key roles. These initiatives will be implemented during 2014.

Highlights

In 2013, the Dexia Group continued to implement its orderly resolution plan, approved by the European Commission on 28 December 2012. The Commission's decision authorised the support granted by the Belgian, French and Luxembourg States in the form of a EUR 5.5 billion capital increase completed on 31 December 2012 and the provision of a funding guarantee, enabling Dexia Group to carry its assets on a long-term basis until maturity.
As the Group's main operating subsidiary, Dexia Crédit Local is directly concerned by the implementation of the orderly resolution plan.

Continuation of the implementation of the Group's orderly resolution plan

Signing of a tripartite funding guarantee agreement

Within the framework of the orderly resolution plan, a funding guarantee was granted to Dexia Crédit Local by the three Belgian, French and Luxembourg States and came into force on 24 January 2013. This guarantee allows Dexia Crédit Local to raise funding with a maximum maturity of 10 years and this until 31 December 2021, in order to give the Group the possibility to carry its assets over the long term. The guarantee replaces the December 2011 guarantee scheme in relation to new securities issued under guarantee. The 2013 guarantee mechanism covers amounts up to EUR 85 billion in principal over the short and long term[1]. The remuneration of the 2013 guarantee has been set at 5 basis points per year, enabling Dexia Group to achieve a significant reduction of its funding costs.
The short and long-term debt guarantee programmes for Dexia Crédit Local are rated respectively A-1+ and AA by Standard & Poor's, F1+ and AA by Fitch Ratings and P1 and Aa3 with stable outlook by Moody's, reflecting the outlook for the Belgian sovereign, the main guarantor.
The guarantee has been validated by the parliaments of all three States. Following challenges regarding the validity of the initial approval process, a reparation law was published in Belgium on 28 June 2013, containing measures for legislative ratification of the Royal Decrees authorising the grant of the State guarantees to Dexia (see page 42 of this registration document).
After putting in place dedicated EMTN and USMTN issuance programmes, Dexia Crédit Local launched its inaugural guaranteed long-term euro issue on 2 July 2013, with a maturity of three years. Two other issues were carried out in 2013: a three-year US dollar issue and a five-year euro issue. All three issues were well-received by the market. At the same time, Dexia Crédit Local launched in 2013 its certificates of deposit programme in the eurozone and in the United States and its commercial paper programme in the United States. The increased issuance of guaranteed funding enabled Dexia to significantly reduce its reliance on central bank funding in 2013. Changes in the Group's liquidity structure are set out in the "Information on capital and liquidity" section on page 22 of this registration document.

Convergence of the Group to its target scope

a - Finalisation of the disposals of operating entities planned in the orderly resolution plan

The orderly resolution plan provides for the disposal of the main entities and commercial franchises considered to be viable, in order to enable them to continue their development. Following on from 2012, Dexia Group continued to sell its commercial franchises, to meet the undertakings made to the European Commission. Those disposals resulted in a profound downsizing of the Dexia Crédit Local scope.

- On 31 January 2013, Dexia finalised the sale of the Société de Financement Local (SFIL), a proprietary holding of the Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency (DMA)) to the French State as the majority shareholder, Caisse des Dépôts and Banque Postale for an amount of 1 euro[2]. As SFIL was the leading franchise of the Group in terms of public sector finance in France, this sale was a decisive step towards the implementation of Dexia's orderly resolution plan and lead to a redefinition of the local public sector finance regime in France. It generated a total loss of EUR 1,849 million for the Group, booked over the years 2011 for an amount of EUR -1,069 million, 2012 for an amount of EUR -638 million and 2013 for an amount of EUR -142 million. Furthermore, an adjustment of EUR +129 million (after taxes) was booked directly in the equity in 2013, following the application of the IAS 8 accounting standard ;
- On 28 March 2013, Dexia sold Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank, to Getin Noble resulting in a loss of EUR -9.5 million;
- On 2 April 2013, Dexia finalised the sale of Dexia Bail, a 100% subsidiary of Dexia Crédit Local, to Sofimar, resulting in a loss of EUR -20 million;
- On 30 September 2013, Dexia finalised the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT)

(1) The ceiling of EUR 85 billion in principal includes funding raising under the 2011 guarantee scheme, the outstanding of which was EUR 1.5 billion as at 31 December 2013.

(2) Cf. press releases of 31 January and 8 May 2013 available on the Dexia SA website (www.dexia.com).

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

for a fixed price of EUR 136 million. This sale generated a capital gain of EUR 64 million which will be booked in the 2013 consolidated financial statements of Dexia SA;

• On 6 September 2013, Dexia finalised the sale of its holding in Public Location Longue Durée (Public LLD) to Arval Service Lease, resulting in a capital gain of EUR 50,000. Public LLD was 49% held by Dexia Crédit Local and specialised in car leasing to public organisations and associations.

For information purposes, Dexia also sold all its shares in Dexia Asset Management on 3 February 2014 and its 40%-holding in Popular Banca Privada on 19 February 2014. However, those disposals do not fall under the consolidation scope of Dexia Crédit Local.

At the beginning of 2014, the Dexia Group received the consent from the European Commission to extend until 28 June 2014 the authorisation for Dexia Crediop to grant new funding to its existing clients within a limit of EUR 200 million. This decision aims at preserving the value of Dexia Crediop's franchise and allows the continuation of the discussions being held with a view to its sale.

Aside this, Dexia is currently involved in legal proceedings in relation to Dexia Israel. The resolution of these litigations is prerequisite to any negotiation to dispose of this subsidiary.

b – Other disposals and entity mergers

Next to the undertakings made by the States to the European Commission, Dexia made several entity disposals and mergers:

• On 12 July 2013, the Austrian banking subsidiary of Dexia Crédit Local, Dexia Kommunalkredit Bank (DKB) was dissolved without liquidation by way of cross-border merger by absorption by its 100% parent company. Dexia Crédit Local acquired all of the asset and liability elements of DKB. This merger is entirely consistent with the orderly resolution plan, aiming at simplifying the legal organisation of the Dexia Group and rationalising the management of its assets;

• On 4 October 2013, the Group sold its 50%-holding in Domiserve to AXA Assistance Participations resulting in a capital gain of EUR 1.3 million. Domiserve is an operator dedicated to the personal service sector, whose activity is mainly oriented towards public or institutional operators;

• On 22 November 2013, the Group sold its 40%-holding in Exterimmo to the Caisse des Dépôts resulting in a gain of EUR 0.3 million;

• Finally, the Group also sold to IBM its holding in ADTS, a company offering IT services to several banks. This sale does not fall under the scope of Dexia Crédit Local.

New method for calculating the market value of collateralised derivatives

In 2013, within the framework of the initial application of the IFRS 13 accounting standard and the change of market practices, Dexia Crédit Local changed its discounting methodology by using a discount curve based on the daily rate (OIS) to calculate the market value of collateralised derivatives. Dexia Crédit Local also adjusted its methodology for recognising the Credit Value Adjustment (CVA) and booked a Debit Value Adjustment (DVA). The impact of these changes in calculation methodology, effective as from 30 June 2013, is integrated in the Group's 2013 consolidated financial statements and amounted to EUR -196 million for 2013.

These elements have no liquidity impact and will be recouped gradually from the Group results consistent with the reduction of the derivatives portfolio. It nonetheless constitutes a potentially significant element of volatility, quarter on quarter, depending on market conditions and the evolution of the discount curves.

Update on structured loans granted by Dexia Crédit Local in France

a – Desensitisation of 22% of the outstanding of sensitive credits[(1)] of Dexia Crédit Local

In order to reduce the litigation risk related to structured credits, Dexia followed an extremely active desensitisation policy in 2013. These actions were accompanied by new production flows within the framework of the EUR 600 million production envelope granted to Dexia by the European Commission. During the first new production window, between February and July 2013, Dexia contacted 222 clients which held at least one sensitive structured credit. Without any specific grounds, all these clients received an offer to refinance their structured loans at a fixed rate. The desensitisation policy enabled Dexia to reduce the outstanding of sensitive credits by 22% over the course of 2013, representing an amount of EUR 0.5 billion.

During the intermediary phase between the two production windows (the second opening in June 2014) the desensitisation actions are continued without any new production, in line with the undertakings made to the European Commission.

As at 31 December 2013, Dexia Crédit Local had received 219 summonses from clients, of which 41 have an outstanding at the bank, the remainder being on the balance sheet of SFIL.

More detailed information on the outstanding of so-called sensitive credits granted by Dexia can be found under the Chapter "Risk Management" of this reference document.

b – Evolution of the legal framework in France

The French Constitutional Council, in its decision of 29 December 2013 relating to the 2014 finance Law, approved the creation of a support fund for local authorities with a contribution of EUR 100 million per year during 15 years. The Council has also approved the principle to benefit from the fund which is based on the entry into an agreement under which the borrower waives its rights to conduct any legal proceeding with respect to the supported loans. The Constitutional Council has nevertheless considered that paragraph 2 of article 92 which confirmed the lack of reference to the Effective Annual Rate ("EAR") in loan agreements was too broad since it applies to all legal persons and all loan agreements. The Council has also considered that paragraph 3 regarding the error in the reference to the "EAR"' amended the consumer code and should not be in the finance law. Therefore, this decision relates to the terms of the confirmation law and not its principle. In a press release published on 29 December 2013, the Ministry of Economy and Finance acknowledged this decision and announced that "a legislative measure taking into account the arguments raised by the Constitutional Council will be prepared at the earliest opportunity".

The implementing decree, which will complete the law by detailing the access conditions and management modes of the fund, will be published soon.

(1) It concerns the most structured loans according to the Gissler chart (categories 3E, 4E and 5E) or according to the Group's internal classification, as well as loans which are not allowed to be commercialized by the chart.

Launch of the full assessment by the European Central Bank

Within the framework of the implementation of a Single Supervisory Mechanism (SSM) for the main banks in the eurozone by the European Central Bank, the latter announced a review of the accounting valorisation methodologies as well as an assessment of the risks and the quality of the assets held by the supervised banks. The results of this assessment, which began in November 2013, will be published in 2014. In its press release published on 23 October 2013, the European Central Bank stated that the work done on this review, with support from national regulators, will take account of the specific situation of the Dexia Group and of Dexia Crédit Local, which are subject to this review. In particular they will consider the fact that an extensive review of the Dexia risk profile has already been made within the context of the orderly resolution plan validated by the European Commission at the end of December 2012. On 1 April 2014, Dexia announced that, within the framework of the preliminary review conducted by the National Bank of Belgium, it was considered appropriate to make adjustments to the Group's 2013 annual financial statements. The adjustments relate to the valuation of illiquid positions on local authorities and on Spanish covered bonds classified as available for sale (AFS).

These adjustments have no impact either on the income statement or the solvency of Dexia SA and of Dexia Crédit Local as at 31 December 2013. Other Comprehensive Income (OCI) will be adjusted to EUR -6,471 million as at 31 December 2013, down EUR 447 million compared to the figure released on 20 February 2014, which does not materially affect the Group's financial statements(1).

Assessment work is ongoing, in particular on Dexia Group and Dexia Crédit Local asset valuation, the impact of which will be evaluated during the year 2014. As of today, some uncertainties still remain regarding the final impacts for the Dexia Group and for Dexia Crédit Local of the assessment launched by the European Central Bank.

Definition and implementation of a Company Project

Following the entity disposals made since 2011, the convergence of the Dexia Group scope to its target scope as defined in the orderly resolution plan now enables the Group to focus on its task of managing its residual assets to maturity. In this perspective, a "Company Project", aimed at defining the strategic objectives and reviewing the operating model, was initiated in 2013. This project, the key pillar of the new profile of Dexia Group, is detailed in a dedicated section in this registration document. It will have a direct impact on the organisation of Dexia Crédit Local.

European Commission decision on the redemption of Tier 1 debt

The European Commission has advised Dexia of its refusal to authorize the Dexia Group to repurchase the financial instrument XS0273230572 issued by Dexia Funding Luxembourg (DFL), stating that subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions having been granted State aid. Moreover, the European Commission informed Dexia that it is authorised to communicate this information to the bearers of this instrument, as well as to the bearers of instruments with identical characteristics.

The European Commission requested that Dexia communicates that this decision relates to its own situation and does not mean that similar decisions will be taken with respect to such financial instruments issued by other European banks subject to orderly resolution plans under the supervision of the Commission.

Financial instrument FR0010251421 issued by Dexia Crédit Local has similar characteristics to those of the instrument concerned by the decision of the European Commission.

Continuity of operations and update to the revised business plan

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern, which assume a certain number of hypotheses explained within the framework of previous accounting closures and detailed hereunder.

These hypotheses of continuity rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan relies on the assumption that Dexia will regain funding capacity on the markets, more particular through the funding guarantee granted to the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the Group and Dexia Crédit Local funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programmes under guaranteed format, the successful implementation of short-term issue programmes under guaranteed format in the United States and in the eurozone and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost than anticipated under the business plan and at longer maturities, as well as by a reduced use of central bank funding. These points are detailed in the Chapter "Information on capital and liquidity" of this registration document.

The plan assumes that the different entities maintain their banking licence, even in the case of a possible non-compliance with certain regulatory ratios. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local SA.

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were revised within the framework of a review of the entire annual plan. Initially, the macroeconomic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower

(1) Cf. the press release of 1 April 2014, available on the website of Dexia SA (www.dexia.com).

interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives. A new update of the plan will be performed in the second quarter of 2014.

The business plan thus revised and ratified by Dexia SA's Board of Directors on 6 August 2013 does not lead to any significant deviation over the term of the plan compared to the plan initially validated. Some uncertainties remain however, associated with its realisation. The plan is sensitive in particular to the evolution of interest rates and the credit environment, an unfavourable development of which would adversely affect the performance of Dexia and Dexia Crédit Local.

The latest update of the plan in June 2013 shows that a decline of 10 basis points of the interest rate at ten years would result in an increase of EUR 1.1 billion of the liquidity need due to cash collateral, i.e. the deposits or the financial securities posted by Dexia to its counterparties in order to guarantee interest rate or currency swaps. This need, if the liquidity reserves would not be sufficient, would be financed at the interest rate of the Emergency Liquidity Assistance (ELA), which is the most expensive funding source for Dexia Crédit Local, and would generate an additional cost of EUR 170 million over the time period 2014-2022.

More conservative assumptions with respect to rating improvements and/or the tightening of the credit spreads as from 2014 would also have a negative impact on the income statement as well as on the available liquidity reserves and would increase the required level of regulatory capital as from 2014.

The plan is also sensitive to regulatory and accounting developments, in particular the implementation of the IFRS 9 accounting standard.

The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing, on the one hand, the financing of a part of Dexia and Dexia Crédit Local's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with total outstanding issued under the 2013 guarantee reaching up to EUR 40 billion in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investor appetite for guaranteed debt and secured funding. If the absorption capacity of the market is reduced, Dexia Crédit Local would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that EUR 1 billion per year financed at the ELA rate rather than at the rate applicable to short-term guaranteed funding, would have an impact of EUR -129 million over the time period 2014-2022.

Conversely, should the market appetite for Dexia guaranteed debt be larger than anticipated, this would reduce or even eliminate the dependence of Dexia Crédit Local from ELA, and result in a positive impact on the profitability of the plan.

Finally, to this date, some uncertainties remain on the Asset Quality Review (AQR), in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group and for Dexia Crédit Local.

Activity and results for the past period

Activity of Dexia Crédit Local

The Dexia Group and its main subsidiary Dexia Crédit Local have been managed in orderly resolution since the end of 2011. The resolution plan approved by the European Commission at the end of 2012 includes a certain number of undertakings made by the French, Belgian and Luxembourg States, particularly concerning the disposal of the main commercial franchises and a commitment not to take on any new commercial production, except in certain specific circumstances as indicated by the European Commission. In December 2013, Dexia Crédit Local sold off its main franchises, with the exception of Dexia Crediop, for which the European Commission granted an extension of the authorisation to provide new financing facilities to its existing customers until 28 June 2014. Following this decision, the Dexia Group will be able to continue the talks underway with a view to the disposal of the entity while safeguarding its franchise. As a result, subject to certain very restricted exceptions, Dexia Crédit Local no longer has any commercial activities and is managing its portfolio of assets in run-off.

Subject to the risks and contingencies identified in this registration document, the Dexia Group and Dexia Crédit Local are moving forward with the implementation of the principles set out in the Group's revised orderly resolution plan, as approved by the European Commission. Dexia Crédit Local is focusing on the run-off management of outstanding loans and desensitising structured loans considered as "sensitive". As such, Dexia Crédit Local no longer has any commercial presence, notably on the market for local sector finance.

These developments are reflected in the analytical segmentation of Dexia Crédit Local's financial statements; Dexia Crédit Local's performance is now considered on a consolidated basis, based on a single segment entitled "management of run-off activities" (cf. section on "Dexia Crédit Local S.A. consolidated financial statements" hereunder).

Dexia Crédit Local consolidated financial statements

Clarifications concerning the preparation of Dexia Crédit Local financial statements

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern, which assume a certain number of hypotheses explained within the framework of previous accounting closures and detailed hereunder.

These hypotheses of continuity rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan relies on the assumption that Dexia will regain funding capacity on the markets, more particular through the funding guarantee granted to the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the Group and Dexia Crédit Local funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programmes under guaranteed format, the successful implementation of short-term issue programmes under guaranteed format in the United States and in the eurozone and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost than anticipated under the business plan and at longer maturities, as well as by a reduced use of central bank funding. These points are detailed in the Chapter "Information on capital and liquidity" of this registration document.

The plan assumes that the different entities maintain their banking licence, even in the case of a possible non-compliance with certain regulatory ratios. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local.

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were revised within the framework of a review of the entire annual plan. Initially, the macroeconomic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives. A new update of the plan will be performed in the second quarter of 2014.

The business plan thus revised and ratified by Dexia SA's Board of Directors on 6 August 2013 does not lead to any significant deviation over the term of the plan compared to the plan initially validated. Some uncertainties remain however, associated with its realisation. The plan is sensitive in particular to the evolution of interest rates and the credit environment, an unfavourable development of which would adversely affect the performance of Dexia and Dexia Crédit Local.

The latest update of the plan in June 2013 shows that a decline of 10 basis points of the interest rate at ten years would result in an increase of EUR 1.1 billion of the liquidity need due to cash collateral, i.e. the deposits or the financial securities posted by Dexia to its counterparties in order to guarantee interest rate or currency swaps. This need, if the liquidity reserves would not be sufficient, would be financed at the interest rate of the Emergency Liquidity Assistance (ELA), which is the most expensive funding source for Dexia Crédit Local, and would generate an additional cost of EUR 170 million over the time period 2014-2022.

More conservative assumptions with respect to rating improvements and/or the tightening of the credit spreads as from 2014 would also have a negative impact on the income statement as well as on the available liquidity reserves and would increase the required level of regulatory capital as from 2014.

The plan is also sensitive to regulatory and accounting developments, in particular the implementation of the IFRS 9 accounting standard.

The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing, on the one hand, the financing of a part of Dexia and Dexia Crédit Local's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with total outstanding issued under the 2013 guarantee reaching up to EUR 40 billion in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investor appetite for guaranteed debt and secured funding. If the absorption capacity of the market is reduced, Dexia Crédit Local would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that EUR 1 billion per year financed at the ELA rate rather than at the rate applicable to short-term guaranteed funding, would have an impact of EUR -129 million over the time period 2014-2022.

Conversely, should the market appetite for Dexia guaranteed debt be larger than anticipated, this would reduce or even eliminate the dependence of Dexia Crédit Local from ELA, and result in a positive impact on the profitability of the plan.

Finally, to this date, some uncertainties remain on the Asset Quality Review (AQR), in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group and for Dexia Crédit Local.

Changes in scope

The details of the scope of consolidation and all changes therein are presented in organisation chart and list form in the notes to the financial statements.

The major changes in the scope of consolidation compared with 2012 were as follows:

• Deconsolidated companies

After their disposals were finalised, Dexia Crédit Local deconsolidated Dexia Municipal Agency (31 January 2013), Dexia Kommunalkredit Bank Polska (28 March 2013) and Dexia Bail (2 April 2013) on 1 January 2013 and Public Location Longue Durée (6 September 2013), Dexia Sofaxis (30 September 2013) and Domiserve and its subsidiary Domiserve+ (4 October 2013) on 1 July 2013.

• Other changes

On 12 July 2013, Dexia Crédit Local's Austrian banking subsidiary, Dexia Kommunalkredit Bank (DKB), was dissolved without liquidation via a cross-border merger in which it was absorbed by its 100% parent company, Dexia Crédit Local, which thus acquired all of DKB's assets and liabilities.

Presentation of the consolidated financial statements

The consolidated financial statements of Dexia Crédit Local were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission at the balance sheet date. They are presented in accordance with French accounting standards board (ANC) recommendation 2013-04 dated 7 November 2013.

Application of the IFRS 5 accounting standard relating to "non-current assets and groups held for sale"

The Dexia Group's implementation of a process for the orderly resolution of its activities and balance sheet has also been reflected in the application of the IFRS 5 accounting standard relating to "non-current assets and groups held for sale" since the 2011 close of financial statements for Dexia Crédit Local. IFRS 5 is still applied for the presentation of the financial statements, with Dexia Municipal Agency classed as "discontinued operations and operations held for sale" at 1 January 2013.

Dexia Municipal Agency's disposal was completed on 31 January 2013. At 31 December 2013, the category for "discontinued operations and operations held for sale" no longer included any of the Group's entities.

For 2013, this entity's results attributable to Dexia Crédit Local and the capital loss recorded on the disposal of Dexia Municipal Agency are recorded under "net result of discontinued operations or operations held for sale".

Results of discontinued operations and operations held for sale must be taken into consideration when analysing the Group's performance. Indeed, one of the Group's objectives is to dispose of its operational entities under the best possible conditions while protecting its capital insofar as possible.

New analytical segmentation

Following the European Commission's approval of its orderly resolution plan in December 2012, and considering the progress made with the implementation of this resolution process, Dexia Crédit Local has modified its business line-based analysis approach. This presentation is consistent with the Group's new profile and its strategy, one of the main objectives of which is to minimise the risk represented by the Dexia Crédit Local Group for the guarantor States, while optimising its portfolio value for its shareholders.

With this in mind, Dexia Crédit Local's performance is now considered on a consolidated basis, based on a single segment entitled ("management of run-off activities") and without any specific allocation of funding and operating expenses. This analytical presentation of performance is consistent with the fact that Dexia Crédit Local's structure is no longer made up of consistent operational units with specific decision-making powers in terms of allocating resources (funding and operating expenses).

Consolidated statement of income

The primary components of consolidated net income (loss) are presented below for the years ended 31 December:

(in millions of EUR)	2012	2013	Change
Net banking income (loss)	(752)	(220)	532
Operating expenses	(380)	(365)	15
GROSS OPERATING INCOME (LOSS)	**(1,132)**	**(585)**	**547**
Cost of risk	(365)	(197)	168
OPERATING INCOME (LOSS)	**(1,497)**	**(782)**	**715**
Capital gains (losses) on other assets	(22)	59	81
PRE-TAX INCOME (LOSS)	**(1,519)**	**(723)**	**796**
Corporate income tax	(4)	(43)	(39)
Net income from discontinued or held-for-sale operations	(541)	(143)	398
NET INCOME (LOSS)	**(2,064)**	**(909)**	**1,155**
Minority interests	(24)	(5)	19
NET INCOME (LOSS) – GROUP SHARE	**(2,040)**	**(904)**	**1,136**
Earnings per share	*-9.12*	*-4.04*	*NA*
Diluted earnings per share	*-9.12*	*-4.04*	*NA*

In 2013, the Dexia Crédit Local Group recorded a net loss group share of EUR -904 million, primarily reflecting:
• Gains and losses relating to the disposal of discontinued operations in accordance with the orderly resolution plan approved by the European Commission;
• The Group's cost of funding, although this is significantly lower than 2012, as well as the ongoing transformation process;
• The impact of changes in valuation methods relating to first application of the IFRS 13 accounting standard and the use of an OIS discount curve to calculate the market value of collateralised derivatives;
• The weakening of certain local municipalities in America, with stronger provisions recorded for the US local public sector.

a. Net banking income (loss)

The consolidated net banking income improved in 2013, at EUR -220 million, compared with EUR -752 million in 2012.
The net banking income line has two components: net interest income and other income.

(in millions of EUR)	2012	2013	Change
Net interest income	(971)	144	1,115
Other income	219	(364)	(583)
Net banking income	**(752)**	**(220)**	**532**

Change in net interest income

Net interest income includes all interest income and expenses on all on balance sheet instruments, as well as derivatives, regardless of the type of portfolio in which they have been classified. Net interest income is up EUR 1,115 million year-on-year, from EUR -971 million the previous year to EUR 144 million in 2013.
This primarily takes into account the significant reduction in the cost of funding guaranteed by the Belgian, French and Luxembourg States as a result of the funding guarantee mechanism put in place in 2013, replacing the arrangements from December 2011 for new securities issued under the guarantee. The 2013 mechanism covers a principal amount of up to EUR 85 billion and includes funding raised under the 2011 guarantee scheme. The remuneration of the 2013 guarantee is set at 5 basis points per annum, while the cost paid in 2012 for the temporary guarantee averaged out at 85 basis points. In this way, the expense recorded in 2013 as remuneration for funding guaranteed by the States represented a total of EUR 165 million, including EUR 154 million for the tripartite funding guarantee by the Belgian, French and Luxembourg States, and EUR 11 million for the guarantee granted by the Italian State to Dexia Crediop, compared with a total of EUR 980 million in 2012.

Change in other income

Other income primarily includes net fee and commission income, gains and losses on financial instruments at fair value through profit or loss (held for trading, foreign exchange and hedging), and gains and losses on financial assets available for sale.

Net fee and commission income declined by EUR 55 million between the end of 2012 and end-2013. This contraction is linked to the sale of Dexia Sofaxis and Public Location Longue Durée for EUR -27 million, combined with no new production of loans by the Group, which is being managed in run-off.
Net losses on financial instruments at fair value through profit or loss decreased by EUR 90 million in 2013. This change factors in a negative impact of EUR 196 million due to the use of a discount curve based on an overnight rate (OIS) to calculate the market value of collateralised derivatives (EUR -275 million), as well as the change of methods for recognising the credit value adjustment (EUR -27 million) and the recognition of a debit value adjustment (EUR +106 million) which, mirroring the CVA, reflects the impact of the credit risk taken on by Dexia Crédit Local's counterparty on the price of derivatives. The change in the own credit risk on liabilities

(in millions of EUR)	2012	2013	Change
Net fee and commission income	66	11	(55)
Gains (losses) on financial instruments at fair value through profit or loss	(250)	(340)	(90)
Gains (losses) on financial assets available for sale	390	44	(346)
Other income and expenses	13	(79)	(92)
OTHER INCOME	**219**	**(364)**	**(583)**

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

measured at fair value at FSA Global Funding Ltd accounted for a EUR 61 million positive change between 2012 and 2013: in 2013, the revaluation of these instruments resulted in the recognition of a EUR -73 million loss in the statement of income, compared with a EUR -134 million loss for 2012.

Net losses on financial assets available for sale were attributable to decreases (disposals or repayments) in balance sheet items, including loans, borrowings and other securities classified as available for sale.

In 2013, Dexia Crediop disposed of loans carried by the securitisation vehicle Dexia Crediop per la Cartolarizzazione (DCC), generating a pre-tax gain of EUR 39 million.

In 2012, this item included gains on the redemption of subordinated issues for EUR 302 million (EUR 256 million at Dexia Crédit Local and EUR 46 million at Dexia Kommunalbank Deutschland AG).

Other income and expenses notably include costs and provisions for legal disputes for a total of EUR -85 million in 2013.

b. Operating expenses

Operating expenses decreased by 4% in 2013 to EUR 365 million, compared with EUR 380 million in 2012, an improvement of EUR 15 million.

(in millions of EUR)	2012	2013	Change
Payroll costs	(260)	(164)	-36.9%
Other administrative expenses	(86)	(169)	+96.5%
Amortisation, depreciation and impairment of tangible and intangible assets	(34)	(32)	-5.9%
TOTAL GENERAL OPERATING EXPENSES	**(380)**	**(365)**	**-4.0%**

Change in payroll costs

Payroll costs were down EUR 96 million (-36.9%).

Change in other administrative expenses

Administrative expenses increased by EUR 83 million (96.5%) from EUR 86 million in 2012 to EUR 169 million in 2013. Indeed, general expenses in 2012 benefited from EUR 80 million in income from the recharging of expenses to Dexia Municipal Agency (renamed CAFFIL), whereas income from recharging expenses represented only EUR 22 million in 2013. In addition, research and consulting costs increased by EUR 24 million in 2013, with Dexia Crédit Local replacing Dexia to cover a large part of these costs.

c. Cost of risk

Cost of risk includes two distinct components, the details of which are presented below:

(in millions of EUR)	2012	2013	Change
Impairment and losses on customer loans	(83)	(207)	(124)
Impairment of fixed income securities available for sale	(282)	10	292
Total	**(365)**	**(197)**	**168**

In 2013, impairment and losses on customer loans included a net expense of EUR -90 million for the City of Detroit, placed under Chapter 9 protection in line with US bankruptcy law on 18 July 2013, as well as a EUR -52 million expense resulting from a deterioration in the financial position of Puerto Rico. Impairments of fixed income securities available for sale benefited from the reversal of EUR 6 million in provisions on KommunalKredit Austria securities, as well as gains on the securities of Icelandic banks.

The quality of the portfolio of financial assets (customer loans and securities) and the policy for reserving these assets when they must be written down for impairment are demonstrated in the ratios below:

	31 Dec. 2012	31 Dec. 2013
Impaired financial assets / Total financial assets	0.82%	0.94%
Specific impairment / Impaired financial assets	34.62%	39.02%
Specific impairment / Total financial assets	0.29%	0.37%

d. Net gains (losses) on other assets

In 2013, the bank recognised EUR 59 million in capital gains on other assets, compared with EUR -22 million of losses in 2012. The figure for 2013 included the EUR 64 million capital gain recorded on the sale of Dexia Sofaxis.

e. Tax

The Group incurred corporate income tax of EUR -43 million in 2013 (compared with EUR -4 million in 2012).

f. Net result of discontinued operations or operations held for sale

The finalisation of the sale of Société de Financement Local (SFIL), the holding company owner of Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency), resulted in an additional loss being recognised for EUR 143 million in 2013. This corresponded to the recognition in the statement of income of the company's unrealised or deferred gains or losses as at 31 December 2012 (EUR -142 million) and the final calculation of the disposal costs.

g. Net income / loss

In 2013, the net income Group's share came to EUR -904 million, compared with a net loss of EUR -2,040 million the previous year.
Minority interests went from a EUR 24 million loss to a EUR 5 million loss.
The net income Group share gives the following returns on equity (ROE):

	2012	2013
Return on equity	-25.45%	-11.21%

ROE is calculated as the ratio of the net income Group share to average shareholders' equity (excluding minority interests and after allocation of net income). In 2013, it benefited from the improvement in Dexia Crédit Local's results.

Consolidated balance sheet and equity as at 31 December 2013

a. Change in the balance sheet

Dexia Crédit Local had total consolidated assets of EUR 222 billion as at 31 December 2013, compared with EUR 356 billion the previous year.
In terms of assets, this change takes into account a 13.8% reduction in the total amount of outstanding loans and advances to customers between the end of 2012 and end-2013, down to EUR 128.6 billion (versus EUR 149.1 billion at end-December 2012). This primarily reflects the disposal of SFIL. Moreover, total investments in government paper, bonds and other fixed-income securities and in equities and other variable-income securities decreased 17.8% year-on-year, from EUR 38.7 billion at the end of December 2012 to EUR 31.9 billion. The EUR 6.9 billion decrease in the securities portfolio was in line with the commitments made in connection with the Dexia Group's orderly resolution.

In terms of liabilities, the reduction in the balance sheet primarily reflected the lower level of outstanding interbank loans and central bank loans, down 24.3% from EUR 73.7 billion at 31 December 2012 to EUR 55.8 billion at end-2013.

b. Equity and ratios

The EUR 631 million year-on-year increase in the equity of the Dexia Crédit Local Group (excluding minority interests) to EUR 2,130 million as at 31 December 2013 (EUR 1,499 million the previous year) notably included the impact of the following:
- A EUR 130 million increase due to the difference between the estimated impact from 2012 and the effective impact on operations to unwind derivatives between Dexia Crédit Local and Dexia Municipal Agency, carried in equity, in line with the IFRS treatment for correcting estimates;
- A net loss Group share of EUR -904 million in 2013;
- A EUR 1.4 billion improvement of unrealised or deferred gains and losses.

Details of changes in the Group's equity are presented in the notes to the consolidated financial statements.
Changes in Dexia Crédit Local's consolidated regulatory equity can be broken down as follows:

(in millions of EUR)	2012	2013
Total shareholders' equity	9,217	8,445
Of which, core shareholders' equity	8,656	7,974

Dexia Crédit Local has applied the Basel II principles since 1 January 2008.
In light of the application of the Basel II principles governing capital and risk volumes, the Tier 1 ratio came to 17.94% (17.14% in 2012), and the capital adequacy ratio (CAD) amounted to 19% (18.25% in 2012).

Managment report

Corporate governance and internal control

Consolidated financial statements

Financial statements

Shareholders' meeting

General information

Statutory annual financial statements

Statement of income

(in millions of EUR)	2012	2013	Change
Net banking income	1,217	70	(1,147)
Operating expenses	(237)	(235)	2
Gross operating income	**980**	**(165)**	**(1,145)**
Cost of risk	(363)	225	588
Operating income	**617**	**60**	**(557)**
Capital gains (losses) on non-current assets	(1,534)	34	1,568
Pre-tax income	**(917)**	**94**	**1,011**
Corporate income tax (expense)	(16)	(119)	(103)
NET INCOME	**(933)**	**(25)**	**908**
Basic earnings (loss) per share (EUR)	*(4.17)*	*(0.11)*	
Diluted earnings per share (EUR)	*(4.17)*	*(0.11)*	

Dexia Crédit Local reported a net loss of EUR 25 million for fiscal year 2013, compared with a net loss of EUR 933 million in 2012.

Dexia Crédit Local's 2013 result still shows a deficit. It is mainly characterised by the continuing transformation of the Group's funding structure and the cost of funding.

Net banking income was positive, at EUR 70 million. It includes the following:

- a net interest margin amounting to EUR 332 million. This net interest margin included the cost of State guarantees, totalling EUR -154 million over the year;
- losses, related to the trading and investment portfolio, for an amount of EUR -260 million. Dexia Crédit Local now uses a discount curve based on an overnight rate (OIS) to calculate the market value of collateralised derivatives. Furthermore, Dexia Crédit Local has adjusted its methodology for assessing the counterparty risk on derivatives. These changes in the parameters used for the valuation of revalued derivatives led to the recognition of a negative amount of EUR 126 million in 2013.

Operating expenses were stable at EUR 235 million for 2013.

The cost of risk was positive, at EUR 225 million, compared to EUR -363 million in 2012. It primarily included:

- a cost of risk amounting to EUR -90 million in US business, particularly due to the town of Detroit which was declared bankrupt on 18 July 2013 and the deterioration of the financial situation of Puerto Rico;
- an additional impairment amounting to EUR -67 million, relating to the desensitisation of loans;
- a reversal of impairment of EUR 90 million on Dexia Kommunalkredit Bank's subordinated securities;
- a reversal of regulated reserve for medium and long-term credit risks, of EUR 309 million.

The capital gains (losses) on non-current assets showed a EUR 34 million gain. It primarily includes the capital gain on the disposal of Dexia Sofaxis amounting to EUR 81 million and the merger loss from Dexia Kommunalkredit Bank of EUR -50 million.

Balance sheet

Total assets amounted to EUR 146 billion as at 31 December 2013, down 15% from the EUR 172 billion reported the previous year.

Assets

a. Customer loans

Total customer loans and advances were down 6.40% in 2013 to EUR 37 billion (compared with EUR 39 billion as at 31 December 2012) as a result of the natural run-off of outstanding loans.

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

The total value of these securities amounted to EUR 40 billion, compared with EUR 52 billion at the end of 2012. Changes in the various portfolios are detailed in the notes to the financial statements. These securities consist mainly of French and foreign bonds, negotiable debt securities and government securities. The fall in the securities portfolio was driven by disposals and natural amortisation.

c. Long-term equity investments

Long-term equity investments totalled EUR 1.20 billion, compared with EUR 1.30 billion a year earlier. Many commercial franchises were disposed of in 2013 as part of the Group's orderly resolution plan, approved by the European Commission: Société de Financement Local, Dexia Bail, Exterimmo, Public Location Longue Durée, Dexia Sofaxis and Domiserve. Lastly, the subsidiary Dexia Kommunalkredit Bank was dissolved by way of a merger by absorption by Dexia Crédit Local.

Apart from equity holdings resulting from the merger of Dexia Kommunalkredit Bank, equity investments made in 2013 were the result of the debt restructuring of Dexia Crédit Local's customers; they are not significant and are all less than 10% of the capital of these entities.

d. Other assets

Other assets totalled EUR 19.50 billion, compared with EUR 26.10 billion a year earlier. This reduction is related to the collateral posted under contracts with the counterparties trading on derivatives markets.

Liabilities and equity

a. Banks and financial institutions

Dexia Crédit Local had total interbank borrowings and deposits of EUR 42 billion as at 31 December 2013, compared with EUR 57 billion a year earlier.

This item was down as a result of successful issues under the State guarantee mechanism.

As at 31 December 2013, central banks had provided total funding of EUR 13.70 billion, compared with EUR 17.40 billion a year earlier.

b. Debt securities

Debt securities traditionally represent a significant portion of Dexia Crédit Local's total liabilities. As at 31 December 2013, they totalled EUR 84 billion, compared with EUR 90 billion a year earlier.

c. Supplier payment terms

In accordance with Articles L.441-6-1 and D.441-4 of the French Commercial Code, every year Dexia Crédit Local is required to publish an aged balance analysis of its trade accounts payable by due date. Dexia Crédit Local's trade accounts payable represent a non-material proportion of the Company's total liabilities. Dexia Crédit Local generally pays its suppliers at 45 days by default, unless a contractual agreement signed with the supplier provides for payment at 30 or 60 days.

Dexia Crédit Local had trade accounts payable of EUR 6 million as at 31 December 2013, all of which were due in less than 60 days.

Five-year financial summary

	2009	2010	2011	2012	2013
EQUITY					
Share capital (in EUR)	500,513,102	500,513,102	500,513,102[1]	1,286,032,212[2]	1,286,032,212
Number of shares	87,045,757	87,045,757	87,045,757	223,657,776	223,657,776
COMPREHENSIVE INCOME (IN EUR)					
Revenues	4,466,379,454	2,252,572,210	2,959,081,434	3,627,154,228	2,073,786,463
Earnings before income tax, depreciation, amortisation and net impairment charges	486,708,671	(825,474,016)	(2,433,312,349)	(2,617,452,491)	(1,726,311,574)
Corporate income tax	(90,171,250)	314,136,349	(536,307,767)	(15,803,247)	(118,600,706)
Earnings after income tax, depreciation, amortisation and net impairment charges	699,114,408	(1,530,340,831)	(4,435,388,577)	(932,703,020)	(25,026,743)
Dividends	NA	NA	NA	NA	NA
DATA PER SHARE (IN EUR)					
Revenues	51.31	25.88	33.99	16.22	9.27
Earnings after income tax and before depreciation, amortisation and net impairment charges	6.63	(6.07)	(34.12)	(11.7)	(8.25)
Corporate income tax	(1.04)	3.61	(6.16)	(0.07)	(0.53)
Earnings after income tax, depreciation, amortisation and net impairment charges	8.03	(17.58)	(50.95)	(4.17)	(0.11)
Dividends	0.00	0.00	0.00	0.00	0.00
EMPLOYEE DATA					
Employees as at 31 December	1,472	1,341	1,276	1,132	922
Managerial staff	1,123	1,004	955	885	729
Administrative staff	349	337	321	247	193
Gross payroll (in EUR)	134,004,648	128,807,172	104,489,065	84,162,812	100,668,306
Payroll taxes and employee benefits (social security, employee benefit programmes, etc.) (in EUR)	41,976,934	36,542,329	33,539,417	32,379,243	30,914,577

(1) By resolution of the Combined Shareholders' Meeting of 22 December 2011, Dexia Crédit Local increased its share capital in cash by EUR 4.20 billion and reduced its share capital by EUR 4.20 billion, leaving its total share capital unchanged at EUR 500.50 million.

(2) The capital increase significantly changed the Group's ownership structure, with the Belgian and French governments respectively owning 50.02% and 44.40% of Dexia SA's share capital following the issue of new shares. This increase enabled Dexia SA to subscribe for the capital increase carried out by its subsidiary Dexia Crédit Local, whose Board of Directors decided at its meeting of 19 December 2012, in accordance with the authority granted to it at the Shareholders' Meeting held on 12 December 2012, to increase its capital by approximately EUR 2 billion including issue premiums. This increased the share capital of Dexia Crédit Local from EUR 500,513,102.75 to EUR 1,286,032,212 as at 31 December 2012.

Information on capital and liquidity

Share capital

Share capital and number of shares

At 31 December 2013, Dexia Crédit Local had share capital of EUR 1,286,032,212 divided into 223,657,776 shares with a par value of EUR 5.75 each. Each share has one voting right and none of the shares has been pledged. To date, there are no other securities giving access to the equity of Dexia Crédit Local.

As a reminder, the Company's capital was increased from EUR 500,513,102 to EUR 1,286,032,212 on 31 December 2012. At the Combined Shareholders' Meeting held on 12 December 2012, the shareholders voted in favour, in principle, of a capital increase with preferential subscription rights up to a maximum total amount of EUR 2 billion, and authorised the Board of Directors to decide on its implementation and determine the associated procedures, as applicable. On 19 December 2012, the Board of Directors, acting under the authority delegated to it at the Shareholders' Meeting, decided to carry out a capital increase with preferential subscription rights for existing shareholders, for a total amount of EUR 1,999,999,958.16 (issue premium included) by issuing 136,612,019 new shares with a par value of EUR 5.75 each for an issue price of EUR 14.64 per share. On 31 December 2012, Dexia SA, acting through its permanent establishment in Paris, subscribed for all 136,612,019 new shares issued under the terms of the aforementioned capital increase and paid up its entire subscription. Apart from the authorisation granted by shareholders at the aforementioned Combined Shareholders' Meeting on 12 December 2012, which was fully used by the Board, no other authorisations were granted to the Board at Shareholders' Meetings.

Shareholder structure

Dexia Crédit Local's share capital is held directly and almost exclusively by Dexia SA. In accordance with Article 14 of the Company's by-laws, each member of the Board of Directors holds one registered share of the company.

No material changes have taken place in the shareholder structure in the past five years.

As at 31 December	2009	2010	2011	2012	2013
Share capital (EUR)	500,513,102	500,513,102	500,513,102	1,286,032,212	1,286,032,212
Number of shares	87,045,757	87,045,757	87,045,757	223,657,776	223,657,776
Dexia SA	99.98%	99.98%	99.98%	99.99%	99.99%
Individual investors (directors)	0.02%	0.02%	0.02%	0.01%	0.01%

Indirectly, through Dexia SA, Dexia Crédit Local's capital is held by the Belgian government (50.02%) and the French government (44.40%).

Dividends paid during the past three years

No dividends have been paid in respect of the past three years.

In light of the net loss of EUR -904 million posted in respect of 2013, the Board of Directors will propose at the next Shareholders' Meeting that no dividend be paid in respect of 2013.

Regulatory capital

Weighted risks

Weighted risks include three components: credit risk, market risk and operational risk. Dexia Crédit Local's weighted risks totalled EUR 44.45 billion as at 31 December 2013, a reduction of almost EUR 5 billion in relation to the end of 2012.

(in millions of EUR)	31/12/12	31/12/13
Credit risk	48,632	41,405
Operational risk	589	372
Market risk	1,276	2,668
TOTAL	**50,497**	**44,445**

Weighted credit risks were down EUR 7.25 billion year on year, principally due to the sale of SFIL (EUR -3.7 billion), natural run-off of the portfolio (EUR -4.4 billion), the withdrawal from operations with Belfius Bank and Colas (EUR -1.5 billion) and exchange rate movements (EUR -1.1 billion), but this was partly offset by an increase in loss given default (LGD) in some countries (EUR 3.2 billion).

Weighted market risks were up EUR 1.4 billion. This change is mainly attributable to the opening of a trading portfolio created after the sale of SFIL at the end of January 2014 (see the "Risk management" chapter, page 25 of this registration document).

Regulatory capital

As at 31 December 2013, Dexia Crédit Local's core Tier 1 capital totalled EUR 7,918 million. Dexia Crédit Local's Tier 1 hybrid instruments had a total nominal value of only EUR 56 million. No hybrid capital buyback transactions were carried out in 2013.

At the end of 2013, the Tier 1 capital represented EUR 7,974 million, down 7.88% relative to 31 December 2012. This change is principally due to the losses recorded by Dexia Crédit Local during the past year.

Total regulatory capital stood at EUR 8,445 million, down 8.37% year on year. As a continuation of the offer to buy back securities in relation to subordinated debt (Lower Tier 2) issued at the end of 2012, Dexia Crédit Local bought back an additional nominal total of EUR 30 million in 2013, with approval from the European Commission as well as the Belgian and French regulators.

ISIN	Type	Amount issued (in millions of EUR)	Buyback amount in 2013 (in millions of EUR – as %)	Amount outstanding in 2013 (in millions of EUR – as %)
XS0307581883	*Lower Tier 2 2017*	500	10 – 2%	252.05 – 50.41%
XS0284386306	*Lower Tier 2 2019*	300	20 – 6.67%	106.40 – 35.47%

Total regulatory capital in 2012 and 2013 is shown below:

(in millions of EUR)	2012	2013
Total capital	9,217	8,445
o.w. Tier 1 capital	8,656	7,974

Solvency

Given these elements, Dexia Crédit Local showed the following solvency ratios:

	31/12/12	31/12/13
Core Tier 1 ratio	17.03%	17.81%
Tier 1 ratio	17.14%	17.94%
Capital adequacy ratio	18.25%	19.00%

A large number of parameters and external events could, however, have an impact on this level of solvency, particularly the results of the Asset Quality Review (AQR) currently being conducted by the European Central Bank.

Liquidity management

The year 2013 saw a significant improvement in the liquidity situation of Dexia Crédit Local, primarily illustrated by the following elements:
- Compliance with the regulatory thresholds defined for calculating the liquidity ratios for Dexia Crédit Local (see chapter "Risk management" on page 37);
- The reduction in the level of funding from the central banks, down from EUR 50.1 billion at end-2012 to EUR 34 billion at 31 December 2013, representing 20% of total funding, compared with 24.5% at end-2013;

A greater capacity for guaranteed market-based funding. In particular, the Group has increased the share of long-term guaranteed funding (longer than 12 months), with EUR 9 billion placed at 31 December 2013, compared with less than EUR 3 billion one year earlier[1]

This is a result of the combination of two positive developments. The first followed the efforts made by Dexia Crédit Local to stabilise and optimise its liquidity situation. The main areas for work concerned:
- Disposal of the entities consuming the highest levels of liquidity, in particular CAFFIL (formerly Dexia Municipal Agency);
- Sustained marketing of the debt issued with a guarantee from the Belgian, French and Luxembourg States. The roadshows organised during the year made it possible to expand the investor base, from a geographical perspective, with increased levels of issues placed in the United States and Asia in particular, while also diversifying the categories of investors, including a stronger presence by central banks. The signing of the definitive issue agreement in January 2013 made it possible to renew the Certificate of Deposit programmes and launch the Commercial Paper, Euro Medium Term Note (EMTN) and US Medium Term Note (USMTN) programmes, opening up access to funding in US Dollars (USD 9 billion outstanding at end-2013) and increasing the maturity of issues to five years;
- Renewal of collateralised funding facilities reaching maturity and above all the new operations carried out to replace Belfius Bank (formerly Dexia Bank Belgium) as the counterparty for the least liquid assets.

The second aspect is linked to a series of positive developments concerning the financial markets and macroeconomic conditions, primarily:
- The gradual normalisation of Europe's financial environment, paving the way for the debt issued by Dexia Crédit Local with State guarantees to attract interest from investors for significant volumes and longer timeframes than forecast in the revised business plan;
- The gradual increase in interest rates and the trends for the main exchange rates, continuing to reduce the amount of net cash collateral paid by the Group to its derivative counterparties. This amount came to EUR 21.4 billion at end-2013, compared with EUR 30 billion at 31 December 2012;
- The continued quality of the assets (in terms of eligibility and collateral value) posted to guarantee secured funding.

Despite this improvement in the liquidity position, the Group's balance sheet structure continues to show structural imbalances. It will remain sensitive to changes in external parameters, which are therefore monitored particularly closely. It cannot be ruled out for the future that the Group

(1) Figures excluding government guaranteed debt held by Belfius Bank

might request access to emergency liquidity assistance (ELA), particularly due to the large amounts of funding maturing in the first half of 2015.

In 2014, Dexia Crédit Local will continue moving forward with its efforts to market its guaranteed debt. Two new public issues – seven years in Euros and five years in US Dollars – were carried out in January, confirming the quality of placements for guaranteed bonds and making it possible to significantly extend the maturity of Dexia Crédit Local's guaranteed reference curves. In particular, this dynamic approach has enabled the Group to cope with the maturing of EUR 9.7 billion of guaranteed debt issued in 2008 at a high cost. In addition, the Group will continue to develop its access to the repo market, another one of Dexia's preferred sources of funding in the context of its orderly resolution process.

Risk management

Introduction

The macroeconomic environment improved in 2013. In particular, fears that had been weighing on the economies of peripheral European countries appear to have faded. However, Dexia Crédit Local continues to operate in an uncertain environment. The eurozone is still in recovery, with progress to date too limited to be able to rule out all risk of a further crisis, and the financial health of banks and local authorities in peripheral countries remains fragile. Outside the eurozone, various countries – including, for example, Hungary – are still burdened with high levels of debt. Finally, the upturn in the American economy is expected to be accompanied by a hardening in the Federal Reserve's monetary policy of which the impact on the financial sector remains difficult to predict.

While 86% of the assets of Dexia Crédit Local are rated "investment grade", they still require careful monitoring. The portfolio represents a significant concentration in certain sectors and types of funding that could constitute a source of risk for Dexia Crédit Local. In this environment, Dexia Crédit Local has been especially attentive to developments in the financial situation of local authorities in both Europe and the United States.

The disposal of Société Française de Financement Local, the parent company of Caisse Française de Financement Local, in January 2013, triggered not only a far-reaching adjustment in the organisation and governance of the activity line but had also an impact in terms of market risk and credit risk. In particular, it resulted in the unhedging of a derivatives portfolio requiring an increase in Value at Risk limits, and a EUR 68 billion reduction of the credit exposure.

Finally, the Asset Quality Review (AQR) conducted by the European Central Bank as part of the planned 2014 implementation of the Single Supervisory Mechanism has occupied a substantial proportion of Risk activity line staff since the end of 2013.

Governance

The role of the Risk activity line is to define the Group's strategy on monitoring and managing risk and to put in place independent and integrated risk measures. The activity line seeks to identify and manage risk, proactively alert the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of provisions deemed necessary.

Given the evolution of the scope of the Group, the activity line's organisation and governance evolved significantly in 2013. The Risk activity line's governance is built around the Risk Committee, which consists of the members of the Management Board. This committee has decision-making power over all transactions undertaken by the Group, depending on the level of credit risk, liquidity risk, the impact on the results or on the amount of capital that these transactions represent. The committee is also responsible for the various policies and guidelines applying the Group's strategy. The committee may delegate its authority to facilitate the Group's operational management.

The Risk activity line consists of four departments: Credit Risk, Market Risk, Operational Risk and Permanent Control, and Risk Quantification, Measurement and Reporting. The latter also includes all of the activity line's support functions. Since 1 November 2013, the functions in charge of the methodological validation of the models have been under the responsibility of the General Auditor.

Under the Company Project initiated by Dexia in 2013, the Risk activity line will be refocused around its control functions. Consequently, the activity line's organisation and governance will evolve over the coming period. Similarly, the various committees described below, around which the activity line's management of various risks is built, will be redefined in order to improve the Risk activity line's overall efficiency. Details of this project are set out on pages 9 to 10 of the "Company Project" section.

Credit risk

Definition

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

Organisation

Within the Risk activity line, the Credit Risk department is responsible for the supervision of the credit risk, under the auspices of the Management Board and specialised committees. It is in charge of defining the Group's policy concerning credit risk, which includes the supervision of the counterparty rating processes, analysing the credit applications and monitoring the exposure of the Group.

Committees

Credit risk management is built around the Risk Committee, which approves the risk policy for the Group as a whole and makes the decisions on the most important transactions from a credit risk perspective. The Risk Committee delegates a part of its decision-making power to the Credit Committee. This delegated authority is governed by specific rules for each type of counterparty, based on the counterparty credit ratings and the consolidated exposure.

The Risk Committee remains the decision-making body of last resort for larger credit applications and those carrying a degree of risk considered sensitive. For each application presented to the credit committee, an independent analysis is carried out, setting out key risk indicators, as well as a qualitative analysis of the transaction.

At the same time, a number of committees, which meet quarterly, are tasked with supervising specific risks:
• The Watchlist Committee supervises assets considered "sensitive", placed under watch and decides on the amount of provisions set aside;
• The Default Committee screens and monitors counterparties in default by applying the rules in force at Dexia, in compliance with the regulatory framework;
• The Provisions Committee monitors the cost of risk;
• The Rating Committee ensures that internal rating systems are properly applied, that rating processes are aligned with the established principles and that those processes are consistent across the various entities.

Credit Risk departments within each Dexia Crédit Local subsidiary and branch focus on managing credit risks specific to their domestic markets and are responsible for analysing and monitoring local counterparties.

Market risk

Definition

Market risk represents the Group'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.

Organisation

The Financial Market Risk Management department is responsible for supervising the market risk under the aegis of the Management Board and specialised risk committees. It identifies, analyses and monitors risks and results (including financial instrument valuations) associated with market activities.
The Financial Market Risk Management department consists of both central and local teams. The central teams, located in the expertise centres, define Group-wide methods for calculating and measuring risk and results. They are tasked with measuring, reporting and monitoring the risks and results on a consolidated basis for each of the activities for which they are responsible. Local teams within each operating entity are tasked with monitoring day-to-day activity. They ensure that Group policies and guidelines are properly applied, and are responsible for assessing and monitoring risk, working directly with the operational staff.

Committees

The Risk Committee and the Risk Management Executive Committee are responsible for the market risk policy and the management of the market risk. To facilitate operational management, a system of delegated authority has been put in place within the Group.
The Market Risk Committee is responsible for risk governance and standards. It defines the risk limits that form the general framework for the Group's risk policy. It meets on a monthly basis.
The Valuation and Collateral Market Risk Committee meets quarterly to analyse indicators relating to the collateral management and to monitor valuations of structured products.

Balance sheet management

Definition

Balance sheet management covers the management of all structural risks associated with the banking book. This encompasses interest rate, foreign exchange, liquidity and result risks as well as cash management and the hedging of short-term interest rate risks.
Detailed definitions of the structural and specific interest rate risk and foreign exchange risk are set out in the section on market risk.
Liquidity risk measures Dexia's ability to deal with its current and future cash requirements, both on a discounted basis and in the event of a deterioration in the environment. Dexia Crédit Local uses a range of stress scenarios to assess its liquidity risk.

Organisation

The Balance Sheet Management (BSM) department is under the responsibility of the Finance activity line and is tasked with managing structural risks of Dexia Crédit Local.

Within the Risk activity line, a dedicated team, known as BSM Risk, is in charge of defining the risk framework within which BSM Finance manages the balance sheet, of validating the models used to actually manage risk, and of monitoring exposures and checking compliance with Dexia Group standards. BSM Risk also defines the stresses to be applied to the various risk factors, validates the risk management approach adopted by the Finance activity line and ensures that it complies with the external regulations in force.

Committees

Asset and liability management is supervised by the Dexia Crédit Local ALCo (Assets and Liabilities Committee), which is merged with the Dexia ALCo, and meets on a quarterly basis. The ALCo, determines the global risk framework, sets limits, guarantees the consistency of strategy and delegates operational implementation to local ALCos. The ALCo decides on the global exposure levels, in line with the decisions of the Management Board. The local ALCos manage the risks specific to their balance sheet within the framework defined by and under the responsibility of the Group ALCo.

The ALCo of Dexia Crédit Local delegates some of its prerogatives to the Funding and Liquidity Committee, which meets weekly to centralise and coordinate the decision-making process concerning liquidity matters. It is tasked with monitoring the Dexia Crédit Local's liquidity position and its evolution and ensuring that it is covered by short-, medium- and long-term resources. It ensures that liquidity targets set by the Management Board are met and contributes to elaborating strategies for funding and asset deleveraging.

Operational risk and permanent control

Definition

Operational risk represents the risk of financial or non-financial impacts arising from a shortcoming or failure in internal processes, personnel or systems, or external factors. This definition includes IT, legal and compliance risks.
Permanent Control (excluding compliance) is tasked with checking that the risk control mechanism in place is robust and effective and of ensuring the quality of the accounting information, financial information and information systems.

Organisation

Operational risk management is coordinated by a central team within the Risk activity line supported by a network of correspondents within all subsidiaries and branches, as well as within the Group's various departments. Within each activity domain, an operational risk correspondent coordinates data collection and assesses risks, supported by the local operational risk management function.

Permanent control for Dexia Crédit Local is overseen by the Head of Operational Risk. To ensure that risk is monitored on a consolidated basis, permanent control relies on risk measurement and monitoring teams, decentralised resources within departments, subsidiaries and branches, and consultation mechanisms within the framework of permanent control committees.

Committees

The Management Board and the Risk Committee, which determine the policy for Dexia Crédit Local as a whole, monitor changes in the risk profile of the Dexia Crédit Local's various businesses on an ongoing basis. To facilitate the operational management of the risk monitoring, a system of delegated authority has been put in place.

The Operational Risk Acceptance Committee, which meets quarterly, reviews the principal risks identified, decides whether they are acceptable and agrees any corrective action that might be required. It signs off proposed prevention and improvement measures in relation to the various components of the operational risk framework. It is chaired by the member of the Management Board with responsibility for risk.

The Business Continuity Committee and the Information Systems Security Committee meet every two months to review and agree actions to ensure business continuity and the implementation of the information systems security policy.

The Permanent Control Committee meets quarterly to review the results of each permanent control assessment campaign. It consists of the Compliance, Operational Risk, Information Systems Security, Inspection and Permanent Control functions.

Risk monitoring

Credit risk

Dexia Crédit Local's Risk department has put in place a range of policies and procedures in order to govern credit risk management within the risk analysis, decision and monitoring functions.

Risk measurement

Credit risk is mainly measured using internal rating systems put in place by Dexia Crédit Local under the Basel II regulatory framework: each counterparty is assigned an internal rating by credit risk analysts using dedicated rating tools. This internal rating is an assessment of a counterparty's default risk, expressed via an internal rating scale. Ratings are reviewed annually, making it possible to proactively identify counterparties requiring regular monitoring by the Watchlist Committee, on the basis of objective criteria or expert assessment. The portfolio that falls under the Basel II standard approach is also regularly monitored.

To control the Dexia Crécit Local's general credit risk profile and limit the concentration of risks, credit risk limits are determined for each counterparty, setting the maximum exposure considered acceptable for the given counterparty. Limits per economic sector and product may also be imposed by the Risk department.

Fundamentals of Dexia Crédit Local's credit risk in 2013

Macroeconomic environment

In 2013, the global economy continued to grow relatively slowly in a macroeconomic environment characterised by persistent imbalances. The International Monetary Fund cut its growth forecasts from 3.2% in 2012 to 2.9% in 2013 and anticipates an increase to 3.6% in 2014. However, this expected recovery in global growth remains fragile, particularly because of the worsening financial conditions in emerging countries and high levels of public and private debt in many developed countries.

Financial market confidence was gradually restored in the eurozone in the first half of 2013, illustrated by an easing in sovereign yields in a number of countries and significant rises in some stock market indices. This recovery was underpinned by the European Central Bank President's stated desire to defend the euro, as well as a slight economic upturn observed in some countries. It is also the result of massive injections of capital from Japan, which has softened its monetary policy.

In the United States, the June 2013 announcement that the Federal Reserve might slow down its bond purchase programme was followed by a significant tightening of the long term interest rates. In December, the Central Bank finally decided to cautiously tighten its monetary policy by gradually tapering its bond purchase programme from January 2014 onwards. However, it indicated that it would keep base rates very low for a longer than expected period.

In the second half of 2013, as signs of a modest recovery appeared in Europe, the United States and Japan, a slowdown in growth was observed in emerging countries.

In the eurozone, some countries, such as Ireland, Spain and Portugal, made significant progress in relation to fiscal consolidation and competitiveness. Both Spain and Ireland were able to exit their European bailout packages, thus reinforcing market sentiment towards the eurozone as a whole. The situation in Greece remains delicate with continuing high levels of debt that are likely to require additional support in the future. The incomplete restoration of banks and weak credit, particularly in peripheral countries, as well as the excessive household, corporate and sovereign debts pose continuing risks to the zone. The European Central Bank's Asset Quality Review should reduce the uncertainty associated with the balance sheets of the banks.

Sovereign issuers and Dexia Crédit Local's commitments

Dexia Crédit Local's main sovereign exposures are to Italy, Poland, the United States and, to a lesser extent, Portugal, Japan and Hungary.

France

Economic growth remained weak in 2013. The upward trend in unemployment persisted throughout the year as competitiveness continued to decline. Nevertheless, in spite of a challenging economic situation, with large public deficits and limited fiscal room for manoeuvre, France continued to benefit from favourable funding conditions on the financial markets.

Dexia Crédit Local's sovereign exposure to France at 31 December 2013 totalled EUR 0.6 billion.

Italy

The political situation in Italy stabilised at the end of 2013 thanks to the formation of a new parliamentary majority. This period of stability could enable the country to continue with its efforts on competitiveness and budget consolidation until the next elections, which will take place following Italy's presidency of the European Union in the second half of 2014. The resignation of Prime Minister Enrico Letta on 14 February and his replacement by Matteo Renzi did not change this positive dynamic. During the year 2013, Italy left the excessive deficit procedure initiated by the European Union and saw a significant reduction in its structural deficit (-0.5% of expected 2013 GDP). However, while sovereign funding conditions improved significantly, public debt, estimated at 131% of GDP in 2013, remains very high and low economic growth forecasts are hampering the country's ability to reduce its debt.

Dexia Crédit Local's sovereign exposure to Italy at 31 December 2013 totalled EUR 13.9 billion, mainly consisting of bonds.

Portugal

In spite of a weakening political consensus regarding the austerity measures and a growing resistance to reforms among the population, Portugal continued with measures to cut spending and boost competitiveness in 2013. The country is anticipating a reduction in its public deficit in 2013, and recently reported a significant increase in exports (up to 4% between January and August 2013). Portugal should return to growth in 2014; however its weak growth outlook could threaten the rapid decrease of debt expected as from 2015. Portugal's funding conditions on the financial markets have improved significantly. Its liquidity reserves, estimated at six months, have reassured investors as to the State's ability to honour its financial commitments. However, the exit from the bailout package, scheduled for June 2014, remains uncertain given the high level of public debt and the political difficulties encountered.

Dexia Crédit Local's sovereign exposure to Portugal at 31 December 2013 totalled EUR 1.4 billion, consisting almost entirely of bonds.

Poland

Poland is a major economic player among the central and eastern European countries, and is the only one of the European Union's 28 countries with continued growth during the crisis that erupted in 2008. After growing by 1.9% in 2012, Polish GDP could, according to the government, grow by 1.5% in 2013 before accelerating to 2.5% in 2014. In 2013, exports grew rapidly and consumer spending picked up slightly. On the fiscal front, however, the sharp economic slowdown in the first half of the year resulted in lower than expected tax receipts and a growing deficit. Consequently, the government decided to suspend the rule under which debt is capped at 50% of GDP. Measures adopted to reduce spending could bring the budget deficit back down from 4.8% of GDP in 2013 to 3.1% in 2015.

Dexia Crédit Local's sovereign exposure to Poland at 31 December 2013 totalled EUR 2 billion, consisting almost entirely of bonds.

Hungary

Hungary saw a revival in economic activity at the beginning of 2013. However, a tightening in credit, legal uncertainties and certain new taxes continue to hinder private investment. Foreign currency debt remains high; as such, the country's ability to repay that debt is vulnerable to the risk of a depreciation of its currency. The risk of a loss of investor confidence and renewed tension on international markets could trigger capital outflows and accentuate any depreciation of the forint, thus adversely affecting the country's ability to refinance its borrowing.

Dexia Crédit Local's sovereign exposure to Hungary at 31 December 2013 totalled EUR 1.2 billion, consisting almost entirely of bonds.

United States

GDP growth is estimated at 1.7% for 2013, not as strong as the 2.8% seen in 2012. While private sector demand has remained buoyant, significant budget adjustments made during the year have hampered growth. During the year, political tension over the raising of the debt ceiling adversely affected the country's financial position. Agreement was reached over the budget in December 2013, pushing back the risk of any further budget freezes until September 2015. Finally, the Federal Reserve's decision to taper its bond purchases from January 2014 onwards could also affect the macroeconomic situation.

Dexia Crédit Local's sovereign exposure to the United States at 31 December 2013 totalled EUR 1.9 billion, of which EUR 1 billion in bonds and EUR 0.9 billion in short-term deposits.

Japan

Economic conditions improved considerably in 2013, driven by accommodative monetary policy, fiscal stimulus and reforms aimed at improving competitiveness. Japan also returned to inflation for the first time since October 2008, and manufacturing output reached its highest level since 2006.
However, salaries have not grown in line with prices, resulting in a substantial drop in purchasing power. In addition, the Japanese economy continues to suffer the effects of the country's energy dependence. The return of inflation has largely been driven by a sharp increase in imports of energy products in the second half of 2013.

Dexia Crédit Local's sovereign exposure to Japan at 31 December 2013 totalled EUR 1.2 billion. This exposure consists entirely of yen-denominated bonds whose foreign exchange risk is hedged.

Local public sector and Dexia Crédit Local's commitments in France

Local public sector in France

Gross savings by local authority declined for the second year in 2013, totalling 18% of operating receipts compared with 18.7% in 2012, as a direct result of an unfavourable margin effect. While growth in tax receipts remained relatively buoyant, overall operating receipts were adversely affected by the freeze of central government transfers and an increasing spending at a sustained pace, mainly driven by personnel costs and the social security expenses, which continued to increase (up 5.6% in 2013). Investments, which totalled EUR 54 billion and represented 70% of public investment, grew by only 1.7% in this pre-election period. Municipalities remained the biggest investors, while departments and regions continued to scale back their programmes. Total outstanding local authority debt was set to reach EUR 167 billion by end 2013. The Caisse des Dépôts played a major role in funding of the local authorities, which will be able to rely on the growing presence in this market of La Banque Postale and the Agence France Locale in mid-2013.

In 2014, as new municipal and community councils are elected, new constraints will be placed upon local authority receipts, with transfers from central government set to reduce by EUR 1.5 billion in 2014 and 2015 and equalisation mechanisms to be strengthened.

The sale of Société de Financement Local, the parent company of Caisse Française de Financement Local, in January 2013 led to a significant reduction in the Dexia Crédit Local's exposure to the local public sector in France, which fell from EUR 70 billion at end 2012 to EUR 19.5 billion at end 2013.

64% of the French local public sector exposure is rated AAA, AA or A. The ratings of almost 70% of counterparties have remained stable. Only 5% of exposure are rated non-investment grade. There are very few counterparties in default, representing only 1% of the total outstanding.
During the year, Dexia Crédit Local succeeded in resolving all arrears on short-term facilities granted to the hospital sector, thanks to active support from the Regional Health Agencies, as well as the majority of arrears on short-term facilities granted to local authorities.

Update on the desensitisation of structured loans in France

The first structured loan desensitisation policy within the framework of the production envelope granted by the European Commission also began in 2013.

The definition of structured loans is based on the code of conduct agreed between certain banks and local authorities, known as the "Gissler Charter". This document, which was drawn up at the request of the French government, was signed on 7 December 2009 by a number of associations representing local authorities and by certain banks, including Dexia Crédit Local. It defines structured loans as:

- all loans whose structures fall into categories B to E of the Gissler Charter;
- all loans whose marketing is banned by the Charter due to their structure (e.g. a leverage > 5…), or their underlying index or indices used (e.g. foreign currency or commodities…) or their currency of exposure (e.g. loans denominated in Swiss francs or Japanese yen…);
- with the exception of all loans whose structured phase has ended and whose interest rate for the remainder of their term is either a fixed rate or a simple floating rate.

Under this definition, structured loan exposure on Dexia Crédit Local's balance sheet at end 2013 represented EUR 3.13 billion.
The most highly structured loans under the Gissler classification (categories 3E, 4E and 5E) and those loans whose marketing is banned under the charter may be described as "sensitive". These loans are subject to specific monitoring and a desensitisation policy. Dexia Crédit Local's sensitive loan exposure totalled EUR 1.7 billion at end 2013, compared with EUR 2.3 billion at end 2012[1].

Loans to the French local public sector as at 31 December 2013

	Outstanding[1]	%	Number of clients
Non-structured loans	11.50	78.65%	3,803
Non-sensitive structured loans	1.40	9.56%	443
Sensitive loans	1.73	11.80%	1,147

(1) In billions of EUR.

These loans concern the following categories of customers:

Sensitive loans to the French local public sector as at 31 December 2013

	Outstanding[1]	Number of clients
Communes of less than 10,000 inhabitants	0.19	648
Communes of more than 10,000 inhabitants and grouping of communes	0.53	348
Regions and departments	0.09	11
Other clients	0.91	140

(1) In billions of EUR.

(1) The referred outstanding only concern the local public finance sector in France.

The average interest rate paid by the 10% of customers who paid the highest rates in 2013 was 6.96%, while the average rate paid by the 10% of customers who paid the lowest rates in 2013 was 0.28%.

Loans to the French local public sector as at 31 December 2013

	Average rate 2013
1st decile	6.98
2th decile	4.91
3th decile	4.70
4th decile	4.50
5th decile	4.29
6th decile	3.98
7th decile	3.58
8th decile	2.96
9th decile	0.56
10th decile	0.28

Certain clients summoned Dexia Crédit Local in connection with sensitive loans granted to them. As at 31 December 2013, 219 clients issued summonses against Dexia Crédit Local. This point is expanded in further detail under "Litigations" on page 39 of this section.

To reduce the risk of litigation in connection with sensitive loans and to enable Dexia Crédit Local to desensitise such loans, the European Commission has authorised the Group to grant new production flows up to a maximum of EUR 600 million, during two specific production windows, from February to July 2013 and from June to November 2014, as part of the Dexia Group's orderly resolution plan.

During the first production window, Dexia Crédit Local contacted 222 customers, all of whom received – without any specific ground – an offer to convert their sensitive loan into a fixed-rate loan. 44 clients with sensitive loans have refused to desensitize their credit. Through this campaign, Dexia Crédit Local was able to desensitise 22% of its outstanding structured loan exposure or EUR 0.5 billion.
During the interim phase between the two production windows the desensitisation activities are continued without issuing any new production, in accordance with the undertakings made with the European Commission.

Changes in the regulatory framework for structured loans in France

In 2013, new legislation brought two key changes to the regulatory framework governing structured loans:

- A Validating Law was voted in order to secure the contractual framework for loans extended by credit institutions. Since this Law was subject to a decision from the Constitutional Council (*Conseil constitutionnel*), the government committed itself to propose a new text taking into account the comments of the Constitutional Council (cf. the section "Highlights – b. Evolution of the legal framework in France") ;
- A support fund, financed by the State and the financial sector, will be established in order to support local authorities faced with financial difficulties linked to structured loans.

Local public sector and Dexia Crédit Local's commitments in other countries

Spain

The marked deterioration in economic conditions in Spain has resulted in a reduction in the receipts of the Spanish local authorities since 2012. Local authorities have received support from the State, which has put in place borrowing facilities via support funds, requiring borrowers in return to comply with recovery measures. These measures should allow a gradual reduction of the regions' budget deficits. The regions received a deficit target of -1.3% of GDP for 2013, which appears achievable given the improvement seen in 2012. At the end of 2013, the State announced that it was establishing an assistance fund aimed at helping 536 municipalities in financial difficulty, subject to those municipalities implementing adjustment plans.

Given the financial difficulties encountered by Spanish local authorities, Dexia Crédit Local has lowered its rating for 8 of the country's 17 regions. There have been no arrears or late payments on regional loans and bonds. However, Dexia Crédit Local has noted late payments or arrears on facilities granted to three Spanish municipalities and one public satellite.

Dexia's exposure to the Spanish local public sector at 31 December 2013 totalled EUR 9.3 billion.

Portugal

The overall situation in Portugal remains unchanged, and 2013 data confirm the stability of the country's financial profile. The institutional framework is characterised by a highly centralised structure, allowing State control over local authorities. At the same time, the State control over the two autonomous regions was also reinforced over the year.

In the first half of 2013, the central government put in place a local economy support package worth EUR 1 billion to help Portuguese municipalities optimise their liquidity and reduce their debt. The State also imposed a stringent adjustment plan on the autonomous region of Madeira from January 2012 onwards, in return for financial assistance from the State, which has undertaken to service part of the region's debt.

Given the unfavourable economic climate and Portugal's challenging financial position, the country still benefiting from the bailout programme from the European Union and the International Monetary Fund, Dexia has lowered its ratings for Portuguese local authorities in spite of these various measures and the efforts made.

Dexia Crédit Local's exposure to the Portuguese local public sector at end 2013 totalled EUR 1.8 billion.

Italy

For the past few years, the Italian government has imposed rules on local authority borrowing. In addition to a cap on debt interest at 8% of current receipts in 2012, reducing to 6% in 2013 and 4% in 2014, debt per capita norms have been put in place and regions' debt servicing costs have been capped at 20% of their own tax receipts.

Since 2011, the country's regions have seen their healthcare costs rise. However, based on 2011 data, data for 2012 and 2013 not yet being available, the regions still have relatively

moderate levels of debt. Based on these same data, credit risk on Italy's provinces and municipalities remains relatively low.
Nevertheless, local authorities have not been spared by the economic downturn in Italy. Central government support has been put in place to help them cope with the situation. In particular, this support is provided via a ten-year fund, allowing some sensitive local authorities to avoid declaring insolvency under the "dissesto" trusteeship. Five local authorities to which Dexia Crédit Local is exposed have received support via this fund: the cities of Naples, Catania, Messina and Foggia and the Province of Chieti. A second mechanism was put in place in 2013, providing a budget of EUR 20 billion a year in 2013 and 2014 to help local authorities and various central ministries settle their supplier debts dating from before 31 December 2012.

Dexia Crédit Local did not note any difficulties or significant payment delays linked to a weak solvency among Italian borrowers. Portfolio credit quality remains acceptable, in spite of the lowering of the ratings of four regions because of a slight worsening of their financial position. Finally, it should be noted that financial regulations governing provinces and municipalities provide protection for creditor banks by giving them preferential ranking in respect of payments and immunising them against "dissesto" procedures.

Dexia Crédit Local's exposure to the Italian local public sector at end 2013 totalled EUR 11.6 billion.

Great Britain

Measures applied to the British local public sector under the country's austerity policy produced their first effects in 2012 and 2013. In particular, these measures allowed to simplify the debt management of social housing portfolios managed by local authorities. In parallel, transfers from the State to the local authorities have been cut by almost 14% under the three-year programme for the period 2012-2014. However, thanks to the efforts made to cut spending local authorities have managed to improve their financial position over the period. Housing Associations, which represent the second most important force in the social housing sector, have also been asked to contribute to the national economic policy with a reduction of their investment subsidies from the State while the welfare payments, which now consist of a single payment including housing benefit, are no longer paid directly to housing associations. Faced with this reduction in funding, housing associations have scaled back their investment programmes, though they continue to be major players in the construction of social housing.

At 31 December 2013, the exposure of Dexia to the local public sector amounted to EUR 8.9 billion including exposures on local authorities and on the "Housing Associations". The outstanding on the local authorities in Great Britain is EUR 4 billion. Britain's institutional framework allows to consider the risk level of this exposure very close to the sovereign risk. On the other hand, Dexia Crédit Local's exposure to the "Housing Associations" totalled EUR 4.9 billion at December 2013; Dexia Crédit Local is not aware of any high-risk situations in its housing associations portfolio.

Germany

The financial position of the German local public sector improved in 2012, 2013 data not yet being available. At EUR 5.6 billion, the budget deficit of the *Länder* has fallen significantly and is better than initially forecast (EUR 14.8 billion). At the same time, borrowing has fallen slightly, though generally remaining at a high level. The Financial Stability Board confirmed these trends in May 2013 and indicated that the five *Länder* that had received the most aid had achieved their consolidation targets. The financial position of municipalities continues to improve, mainly because of an increase in tax receipts. However, regional disparities persist between eastern and western municipalities, with those in the east showing a slight overall deficit for the first time since 2004. The majority of *Länder* have put in place fiscal consolidation programmes for struggling municipalities within their territories under the institutional solidarity mechanism.

Dexia Crédit Local's updated internal rating for the German local public sector illustrates the high quality of its portfolio, which was stable over the year, and the very strong ratings of the Länder.

A campaign to desensitise some structured loans granted to municipalities is ongoing. These loans do not represent a significant proportion of the portfolio.

Dexia Crédit Local's exposure to the German local public sector at 31 December 2013 totalled EUR 17.8 billion.

United States

The Federated States continue to be among the largest issuers on the US bond market, with strong demand from creditors, who are protected by the institutional framework. As early as 2011, States were able to benefit from the beginnings of an economic recovery in the United States, managing to increase their overall current receipts by 7% while limiting spending growth to 3%.

However, the Commonwealth of Puerto Rico stands out for its very strained financial position – a result of recent fiscal measures and the termination of benefits available to locally established US companies, which have damaged the island's economic activity and given rise to a structural deficit and an increase in borrowing. The election of a new governor in January 2013 and the launch of a recovery programme aimed at reducing the deficit to zero by 2015 have brought some prospect of an improvement. Dexia Crédit Local's gross booking value on Puerto Rico amounted to USD 433 million at the end of December 2013, this exposure being provisioned for an amount of USD 69.2 million (including provisions related to hedging instruments). Dexia Crédit Local nonetheless sold a proportion of the most risky outstanding in January 2014. The residual exposure at the end of January was USD 385 million, of which more than 95% is covered by the highest quality monoliners and provisioned for an amount of USD 33.9 million including the provisions related to the hedging instruments.

In a still strained economic environment, a few local authorities have seen a marked deterioration of their economic and financial situation. They cannot always rely on the benefit of Chapter 9 bankruptcy law. Very difficult cases remain relatively rare but striking, the most obvious example being the city of Detroit in the second half of 2013. In this case, to which Dexia Crédit Local is exposed, the city's emergency manager, appointed by the governor of Michigan, secured a ruling declaring the city bankrupt on the basis of a maximum valuation of its debt. The proposed

recovery plan, which places heavy demands on creditors and insurers, has led to what could be a long phase of negotiation and clarification.
At 31 December 2013, the gross booking value of Dexia Crédit Local's commitments on Detroit, concerned by the debt restructuring measures, amounted to USD 330 million, of which USD 305 million was subject to a risk of value deterioration. The provision made amounted to USD 154.3 million, this including provisions with respect to the hedging instruments.

Dexia Crédit Local also disposed of other public sector exposures linked to the city of Detroit for an amount of USD 123 million. These exposures are however not concerned by the debt restructuring of Detroit under Chapter 9.

Dexia Crédit Local's exposure to the United States local public sector at 31 December 2013 totalled EUR 9.9 billion.

Exposure to project finance and corporate finance

The project and corporate finance portfolio stood at EUR 20.3 billion at 31 December 2013, down 16% relative to 31 December 2012. This portfolio consists for 71% of project finance[1], with the remainder made up of corporate finance such as acquisition finance, commercial loans and corporate bonds. The portfolio reduction was driven by a number of factors:
- natural portfolio amortisation;
- early repayment by borrowers refinancing their debt with lenders other than Dexia Crédit Local;
- the effects of exchange rate fluctuations over the period, particularly affecting the pound sterling and the Australian dollar, with sterling and AUD assets representing 27% and 8% of the project and corporate finance portfolio respectively.

The project finance portfolio totalled EUR 14.5 billion at 31 December 2013. It consists for 48% of public-private partnerships (PPP), mainly in the United Kingdom and France, for 23% of projects in the energy sector, mostly in the renewable energy field, and 12% of projects with a traffic risk. Geographically, 71% of the portfolio is in Western Europe and 20% in the United States, Canada and Australia. Average portfolio credit quality is 69% "investment grade".
However, some projects are subject to a special monitoring; this includes, in particular, certain leveraged deals where the restructuring is still in progress. It also applies to Spain, where some problems persist, particularly in the PPP sector, where delays have been seen in some rental payments received from public sector counterparties, and in the renewable energy sector, adversely affected by certain unfavourable fiscal measures.

The corporate finance portfolio stood at approximately EUR 5.8 billion at end 2013. It consists for 42% of loans to infrastructure companies (motorway and car park concession holders and civil engineering companies), for 41% of utilities companies (water, environment, and energy/gas distribution and transmission), for 6% of energy companies (including hydrocarbons) and for 5% of companies in the real estate sector. Geographically, 87% of the portfolio is in Western Europe and 11% in the United States, Canada and Australia. 87% of the exposure is rated "investment grade". The main difficulties encountered relate to pre-crisis acquisition finance too highly leveraged and difficult to refinance under current market conditions.

Exposure to ABS

Dexia Crédit Local's ABS portfolio totalled EUR 6.9 billion at 31 December 2013. The portfolio included for EUR 3.8 billion US government student loans with a relatively long amortisation profile and high credit quality, backed by a US government guarantee. The remainder of the portfolio mainly consisted of EUR 1.5 billion in residential mortgage-backed securities, including EUR 0.6 billion in Spain and EUR 0.2 billion in the Netherlands, and of EUR 0.3 billion in commercial mortgage-backed securities. The quality of the ABS portfolio deteriorated slightly in 2013. Nonetheless, at the end of 2013, 85% of the portfolio was rated "investment grade" given that almost all of the tranches in which Dexia Crédit Local invested are senior tranches.

In Spain, the decline in residential property prices, estimated to have fallen by 30% since their 2008 peak, and rising unemployment, which now stands at 26%, continue to hamper the performance of Spanish borrowers. External ratings for mortgage-backed securities have also come under pressure as a result of Spain's "sovereign ceiling". However, Dexia Crédit Local holds senior tranches that continue to be repaid as a priority, the losses being absorbed by the subordinated tranches.
In the Netherlands, in spite of the decline in residential property prices, estimated to have fallen by 20% since their 2008 peak, borrowers continued to perform well, with only 1% of Dutch mortgages in arrears. This was explained partly by the country's relatively low unemployment rate of 6% and partly by the fact that most mortgages in the Netherlands are interest only, with capital not repaid until maturity.
Finally, credit risk on commercial mortgage-backed securities (CMBS) improved in 2013. This was driven by the repayment of some loans underlying CMBS and the priority payment of senior tranches held by Dexia Crédit Local. The repayment of maturing underlying loans will remain a key issue in 2014 for the remainder of the portfolio. However, the level of protection afforded by junior tranches considerably reduces the risk of loss for Dexia Crédit Local.

Exposure to monoliners

As a result of Dexia Crédit Local's activity in the US municipal and ABS sectors, which traditionally use credit enhancement, Dexia Crédit Local's portfolio enhanced by monoline insurers totalled EUR 15 billion at 31 December 2013. Eighty-six percent of the underlying assets were investment grade. The portfolio covered by the guarantee under Basel rating substitution calculations amounted to only EUR 3.1 billion at end 2013.

With the exception of the Assured Guaranty group (AGC and AGM), which continues to operate and enhances more than 50% of the insured portfolio, the other monoline insurers are being managed on a run-off basis, though many are still able to meet their insurance liabilities.

One of the key events in 2013 was the emergence of FGIC from its regulatory restructuring plan. At this stage, if its underlying assets were to default, FGIC would be able to

(1) Loans without recourse to their sponsors, repaid purely from own cash flow and highly secure for the bank, for example via legal charges over assets and contracts and limits on dividends.

pay the equivalent of 17% of insurance claims. Furthermore, the restructuring of MBIA Inc. has improved not only the company's solvency but also that of its sister company, National Public Finance Guarantee, via the repayment of a substantial intra-group loan.
Generally speaking, monoline insurers have put in place a range of measures – such as commutation arrangements, legal proceedings against US securitisation originators and buybacks of securities – to consolidate their solvency and ensure they are able to meet their obligations as insurers.

Exposure to financial institutions

Dexia Crédit Local's exposure to financial institutions at 31 December 2013 totalled EUR 25.7 billion. Three quarters of this exposure consists of bonds, covered bonds and loans to financial institutions. The remainder consists of exposures associated with reverse repurchase agreements with financial institutions and derivatives. Exposure to financial institutions decreased by EUR 12.5 billion in 2013 (scope of continued activities), mainly driven by the process of separating from Belfius (formerly Dexia Bank Belgium), which continued throughout 2013, as well as natural amortisation of the bond portfolio. The bond portfolio will continue to amortise at a sustained pace over the next few years; one fifth of residual liabilities are due to be repaid in 2014 and two fifths in the next five years.

90% of the exposure is rated investment grade. No new defaults were seen in the portfolio in 2013. Furthermore, some positions in Lehman Brothers, Kaupthing, Landsbanki and Glitnir, which defaulted in 2008, were sold. Dexia Crédit Local's exposure is concentrated 17% in the United States and 72% in Europe, mainly in Spain (26%), Germany (13%), France (12%), Belgium (6%) and the United Kingdom (6%).
Portfolio credit quality was stable in 2013. However, the situation of southern European banks remains fragile. Besides the bailout of Cyprus's banks in March, on which Dexia Crédit Local had no exposure, 2013 saw Spanish and Portuguese banks experience funding and asset quality problems, in spite of improvements that followed their recapitalisations and the creation of a "bad bank" in Spain (SAREB).

However, Dexia Crédit Local's exposure to Spain's financial sector mainly consists of covered bonds which, given their systemic importance to the Spanish banking system, would very likely receive support from the Spanish and European authorities in the event of major difficulties. Dexia Crédit Local's exposure to the Portuguese financial sector is small and will be almost fully paid off in the second half of 2014.

One of the key events in Europe in 2014 will be the Asset Quality Review to be conducted by the European Central Bank before it takes over the supervision of European banks. This exercise will focus on assessing European banks' asset quality and resilience.

Credit risk exposure[1]

Exposure by counterparty type (at 31 December 2013)

At 31 December 2013, the exposure of activities held for sale represents only a small part of the total exposure.

The exposure of continued activities is mainly concentrated on the Local Public Sector and the Central Governments (68%)
In 2013, the portfolio of Dexia Crédit Local on the local public sector continued to amortise. Also, a securitisation vehicle of Italian local public sector bonds was dismantled and the underlying assets, totalling EUR 2.9 billion were transferred to SFIL. These two factors explain the bulk of the decrease of the exposure on the local public sector (continued activities) from EUR 103.5 billion at the end of 2012 to EUR 90.5 billion at the end of 2013.

The share of financial institutions decreased by 33%, and now represents 15% of the continued activities, due to the reduction of the refinancing operations between Dexia Crédit Local and Belfius Bank that continued in 2013, as well as the natural amortisation of the bond portfolio.

The corporate and project finance segments decreased by 17% due to the natural amortisation of the portfolio and the effect of early repayments. The decrease of the rest of the portfolio is due to natural amortisation.

(in millions of EUR)	31/12/12			31/12/13		
	Total	**Activities held for sale**	**Continued activities**	**Total**	**Activities held for sale**	**Continued activities**
Central Governments	35,016	4,606	30,410	26,836	0	26,836
Local Public Sector	160,295	56,753	103,542	90,460	0	90,460
Corporate	8,570	145	8,425	5,906	79	5,827
Monolines	5,652	0	5,652	3,143	0	3,143
ABS /MBS	12,938	4,908	8,031	6,901	0	6,901
Project Finance	15,957	18	15,939	14,493	0	14,493
Individuals, SME & Self Employed	4	0	4	2	0	2
Financial Institutions	39,694	1,603	38,091	25,716	47	25,669
TOTAL EXPOSURE	**278,127**	**68,033**	**210,094**	**173,457**	**126**	**173,331**

(1) See also Note 7.2., "Credit risk exposure", in the consolidated financial statements on page 155 of this registration document.

Exposure by geographical region (at 31 December 2013)

At 31 December 2013, the exposure of Dexia Crédit Local remained mainly concentrated in the European Union. The exposure decreased globally over all countries due to the natural amortisation of the portfolio. The decrease for Belgium and Ireland is due to a decrease in refinancing operations between Dexia Crédit Local and Belfius Bank; the decrease on Italy can be allocated to the dismantling of a securitisation vehicle of Italian local public sector bonds of which the underlying assets have been transferred to SFIL.

The increase of the exposure on Switzerland is linked to repurchase transactions (repo).

(in millions of EUR)	31/12/12			31/12/13		
	Total	Activities held for sale	Continued activities	Total	Activities held for sale	Continued activities
France (Including Dom-Tom)	84,791	51,303	33,489	28,096	2	28,094
Italy	37,459	3,999	33,460	27,766	0	27,766
Germany	25,404	956	24,448	21,988	1	21,987
Spain	23,493	518	22,975	19,939	0	19,939
United Kingdom	18,894	696	18,198	16,748	0	16,748
Portugal	3,884	75	3,809	3,740	0	3,740
Central and eastern Europe (*)	4,333	132	4,201	3,759	0	3,759
Belgium	15,919	5,227	10,692	3,501	5	3,496
Austria	2,220	272	1,948	1,732	0	1,732
Hungary	1,390	0	1,390	1,306	0	1,306
Southeast Asia	1,220	0	1,220	1,062	0	1,062
Scandinavian countries	1,768	194	1,574	1,035	0	1,035
Netherlands	980	0	980	944	0	944
Switzerland	3,977	3,801	176	536	0	536
Ireland	1,595	2	1,592	267	0	267
Greece	227	0	227	216	0	216
Luxembourg	530	14	516	149	15	133
United States and Canada	32,202	690	31,513	26,552	0	26,552
Japan	7,321	25	7,296	6,002	0	6,002
South and Central America	1,110	0	1,110	715	0	715
Turkey	680	0	680	540	0	540
Others	8,730	129	8,601	6,863	102	6,761
TOTAL EXPOSURE	**278,127**	**68,033**	**210,094**	**173,457**	**126**	**173,331**

** Without Austria and Hungary.*

Exposure by rating (at 31 December 2013)

At 31 December 2013, almost 86% of the exposure of the continued activities of Dexia Crédit Local were Investment Grade and 13% was rated non-investment grade (NIG), which is stable compared to 2012.

In %	31/12/12			31/12/13		
	Total	Activities held for sale	Continued activities	Total	Activities held for sale	Continued activities
AAA	14.11%	18.51%	12.68%	14.00%	14.01%	0.00%
AA	20.59%	15.96%	22.09%	21.63%	21.62%	27.67%
A	29.10%	26.99%	29.79%	28.88%	28.89%	6.03%
BBB	23.69%	29.84%	21.70%	21.13%	21.15%	3.28%
D	0.63%	0.74%	0.60%	0.78%	0.78%	0.00%
NIG (1)	11.10%	7.25%	12.34%	12.73%	12.73%	0.05%
No rating	0.79%	0.71%	0.81%	0.87%	0.82%	62.97%
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(1) Non investment grade.

Breakdown of sovereign bond portfolio in the most sensitive European countries

The sovereign bond exposures on Italy, Portugal, Hungary and Spain decreased by 11% (in nominal amount) in 2013. The increase of the maximal credit risk exposure on Portugal and Spain is due to the improvement of the spread on the AFS bonds.

EXPOSURE AS AT 31 DECEMBER 2013

(in millions of EUR)	Nominal amount	Maximum credit risk exposure (banking book)	Of which activities held for sale	Of which continued activities
Italy	10,027	10,859	0	10,859
Portugal	1,822	1,405	0	1,405
Hungary	1,076	1,138	0	1,138
Spain	443	453	0	453
TOTAL	13,368	13,854	0	13,854

EXPOSURE AS AT 31 DECEMBER 2012

(in millions of EUR)	Nominal amount	Maximum credit risk exposure (banking book)	Of which activities held for sale	Of which continued activities
Italy	11,550	12,339	1,339	11,001
Portugal	1,822	1,307	0	1,307
Hungary	1,153	1,169	0	1,169
Spain	468	450	0	450
TOTAL	14,993	15,265	1,339	13,927

Asset quality

In 2013, impaired loans and advances to customers decreased by 13% in order to amount to EUR 1,460 million. This goes along with an increase by 44% of the specific impairments on loans and advances to customers by EUR 582 million.

Several phenomena underlie these evolutions:

• The finalisation of Dexia's orderly resolution plan, implying the sale of SFIL, mother company of CAFFIL (formerly known as Dexia Municipal Agency), causing a decrease by EUR 354 million of impaired assets, for a decrease by EUR 10 million of the amount of provisions;

• The adoption of the "Autorité des Normes Comptables" (ANC) accounting format broadened the calculation base for the asset quality ratio of Available for sales (AFS) bonds with fixed revenues, causing at implementation an increase of impaired assets by EUR 162 million for a corresponding amount of provisions by EUR 120 million;

• Impaired receivables globally increasing on the US local public sector by an amount of EUR 240 million and net impairments increasing by EUR 156 million (these figures take into account the impact of the provisioning of the receivables on the City of Detroit and the State of Puerto Rico);

• The return to "health" of several counterparties in the French and international local public sector – with the exception of the US (decrease of impaired assets by EUR 97 million for a decrease of impairments by EUR 17 million);

• The restructuring and sales of corporate and project files (decrease of impaired assets by EUR 68 million for an increase of impairments by EUR 18 million) or banking files (decrease of impaired assets by EUR 99 million for a reduction of impairments by EUR 98 million).

The asset quality is currently subject to a review by the European Central Bank within the framework of the Asset Quality Review (AQR). Following the conclusions of the AQR, it is possible that Dexia Crédit Local, like all financial institutions included in this review, might have to increase the provisioning for some of its assets.

ASSET QUALITY

	Old Dexia Format	Pro-forma ANC (Total)	Pro-forma ANC (scope without DMA)	ANC Format
(in millions of EUR, except where indicated)	31/12/12	31/12/12	31/12/12	31/12/13
Impaired loans and advances to customers	1,676	1,837	1,482	1,460
Specific impairments on loans and advances to customers	405	525	514	582
Asset quality ratio (1)	0.90%	0.60%	0.63%	0.87%
Coverage ratio (2)	24.20%	28.56%	34.67%	39.87%

(1) The ratio between the impaired loans and advances to customers and the gross outstanding loans and advances to customers.
(2) The ratio between the specific impairments on loans and advances to customers and the impaired loans and advances to customers.

Market risk

To ensure that market risk is monitored effectively, Dexia Crédit Local has developed a framework based on the following components:
- a comprehensive approach for risk measurement, which is an important part of the process of monitoring and controlling the Dexia Crédit Local's risk profile;
- a structure of limits and procedures governing risk-taking, consistent with the end-to-end risk measurement and management process.

Risk measurement

Dexia Crédit Local mainly assesses market risk using a combination of two measurement indicators, resulting in a limit-based risk management framework.
- The Value at Risk (VaR) is a measure of the expected potential loss with a 99% confidence interval and for a holding period of ten days. Dexia Crédit Local uses a number of VaR approaches to measure the market risk inherent in its portfolios and activities:

- Directional interest rate risk and foreign exchange risk are measured via a parametric VaR approach using a methodology based on the assumed normal distribution of yields relating to various risk factors.

- Credit spread risk (also known as specific interest rate risk) and other risks in the trading portfolio are measured using a historical VaR approach. Historical VaR is a VaR whose distribution is constructed by applying historical scenarios for the relevant risk factors associated with the current portfolio.
- Limits governing sensitivity to various risk factors, maturity, market and authorised products are put in place for each type of activity, ensuring consistency between overall value limits and operational thresholds used by front office. These measures also serve to manage risk that would only be imperfectly covered by VaR measures.

Stress testing completes the risk management system by exploring a range of events outside the probability framework of VaR measurement techniques. The assumptions underlying stress test scenarios are regularly revised and updated. The results of consolidated stress tests and the corresponding analysis are presented quarterly to the Market Risk Committee and the Risk Committee.

Exposure to market risk

Value at Risk

The table below shows the details of VaR used for market activities, not including the bond portfolio. At end December 2013, total VaR consumption stood at EUR 12.2 million, compared with EUR 10.4 million at end 2012.

The unwinding of positions held by Caisse Française de Financement Local (formerly Dexia Municipal Agency) and their transfer to SFIL in mid-January 2013 made it necessary to create a trading portfolio to manage risks arising from hedges that continued to be housed within Dexia Crédit Local. The creation of this trading portfolio led to the appearance of new risk factors, including in particular the following:
- basis risk on currency swaps;
- interest rate basis risk between the swap index considered and the –BOR benchmark used to value swaps.

Consequently VaR consumption arising from this trading portfolio totalled EUR 5.9 million at end 2013, compared with zero at end 2012.

Consequently, at its meeting of 17 December 2013, the Management Board signed off an increase in the aggregate VaR limit for activities from EUR 22 million to EUR 40 million with an aim to take into account the existing risk factors and of which the calculation methodology will be refined as from 2014.

VALUE AT RISK OF MARKET ACTIVITIES

(in millions of EUR)	2013						
VaR (10 days, 99%)	**By risk factors**				**Globally**		
	Interest and FX (Banking and Trading)	**Shares (Trading)**	**Spread (Trading)**	**Other risks[1]**	**Activities held for sale**	**Continued activities**	**Limit**
Average	2.6	0.0	7.2	0.4	0.0	10.2	40
End period	6.4	0.0	5.6	0.3	0.0	12.2	
Maximum	7.8	0.0	8.4	0.7	0.0	14.9	
Minimum	0.7	0.0	5.6	0.2	0.0	8.2	

(in millions of EUR)	2012						
VaR (10 days, 99%)	**By risk factors**				**Globally**		
	Interest and FX (Banking and Trading)	**Shares (Trading)**	**Spread (Trading)**	**Other risks[1]**	**Activities held for sale**	**Continued activities[2]**	**Limit**
Average	4.7	0.1	6.5	0.4	2.0	9.7	22
End period	1.8	0.0	8.2	0.4	0.0	10.4	
Maximum	11.9	0.6	9.6	0.4	4.7	18.3	
Minimum	1.1	0.0	2.6	0.4	0.7	4.7	

(1) Other risks (of which inflation, commodities, CO_2).
(2) Take into account DMA positions. In fact, no VaR specific to this sub-perimeter was calculated. These positions only contributed very slightly to the total amount of DCL VaR throughout 2012.

Sensitivity of AFS portfolios to changes in credit margins

The sensitivity of the AFS reserve for available-for-sale portfolios to an increase in credit margins is closely monitored. At end 2013, a one basis point increase in credit margins would have resulted in a EUR -23.4 million reduction in this reserve, for a portfolio of EUR 75.2 billion.

Conversely, since interest rate risk is hedged, sensitivity to interest rate fluctuations is very limited.

Balance sheet management

Dexia Crédit Local's asset and liability management policy aims at reducing liquidity risk as far as possible and limit exposure to interest rate and foreign exchange risk.

Management of interest rate and foreign exchange risk

Dexia Crédit Local's policy on interest rate and foreign exchange risk

Dexia's balance sheet management policy aims at minimising volatility in the Dexia Crédit Local's results.

With respect to the foreign exchange, the ALCo decides on the hedging policy of the foreign exchange risk arising on foreign currency assets, liabilities, revenues and costs. Structural risks arising from equity investments in companies whose balance sheets are in foreign currency (limited to the US dollar), as well as those arising from volatility in the Dexia Crédit Local's solvency ratio, are also regularly monitored.

Measurement of interest rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect the balance sheet's exposure to a 1% movement in the yield curve. The main indicator used to determine limits and to measure and monitor risk is the sensitivity of the net present value of accrued interest positions to interest rate fluctuations.
The main risk indicators used by asset and liability risk committees (ALCos) to manage risk are overall and partial sensitivities by time period. Dexia Crédit Local's structural interest rate risk is mainly concentrated in 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 +8.5 million at 31 December 2013 for the entire Groupe scope, compared with EUR -6 million at 31 December 2012 (continued activities scope). This is in line with the ALM strategy, which seeks to minimise P&L volatility.

(in millions of EUR)	2012	2013
Sensitivity	+4.0	+8.5
Limit	+266.0	+96.0

Measurement of foreign exchange risk

While Dexia Crédit Local's reporting currency is the euro, a substantial portion of its assets, liabilities, revenues and costs are also denominated in other currencies. Indicators monitored by ALCo correspond to the structural foreign exchange position on each currency by entity.

A systematic and continuous hedging policy of these exposures is made.

Management of liquidity risk

Liquidity risk is managed and monitored weekly by the Funding and Liquidity Committee (FLC), which reports directly to the Management Board. This committee brings together all parties with an interest in funding and liquidity and coordinates their actions.

Dexia Crédit Local's policy on the management of liquidity risk

Dexia Crédit Local's main goal is to manage the liquidity risk in euro and in foreign currencies for the Group, as well as to monitor the cost of funding so as to minimise volatility in the Group's results.

The FLC uses a range of levers to manage and improve Dexia Crédit Local's liquidity position: analysing short- and long-term secured funding operations, securities swaps, guaranteed issues and unsecured funding as well as a close monitoring of the execution of funding programmes. Special attention has also been paid to the consequences of the disposal of SFIL and the implementation of the agreement governing the disposal of Dexia Bank Belgium (Belfius Bank today).

The liquidity management process aims at optimising the coverage of Dexia Crédit Local's funding requirements taking into account the constraints to which it is exposed. Funding requirements are assessed prudently, dynamically and exhaustively, taking into account existing and planned on and off balance sheet transactions. Reserves consist of assets eligible for central bank refinancing facilities to which Dexia Crédit Local has access.

Specific regular information procedures have been put in place:
- Daily and weekly reports are provided to members of the Management Board, the State shareholders and guarantors and the regulators. This information is also used by all parties involved in managing the Dexia Crédit Local's liquidity position – namely BSM, BSM Risk Management and the activity line Treasury and Financial Markets.
- The 12-month funding plan is sent monthly to the State shareholders and guarantors, central banks and regulators;
- Twice per week conference calls are held with the French and Belgian regulators and central banks.

Measurement of liquidity risk

Liquidity indicators have evolved to take into account the constraints affecting Dexia Crédit Local's liquidity position. The four-week liquidity ratio, comparing the liquidity reserves with Dexia Crédit Local's liquidity requirements under various scenarios, is supplemented by the maximum limit set by Banque de France on its emergency liquidity assistance (ELA) and the maximum authorised amount of guaranteed issues.

Dexia Crédit Local's liquidity risk is also managed via the liquidity ratios monitored by its various regulators – the Belgian National Bank (BNB) for Dexia SA and France's Prudential Supervision and Resolution Authority (ACPR) for Dexia Crédit Local:
- The BNB ratio to which Dexia SA is subject, establishes an institution's liquidity position by comparing required liquidity with available liquidity at one week and one month. It must

be lower than 100% over each of these periods (CBFA circular 2009_18-1 of 8 May 2009). This ratio will be replaced as from 2015 by the "Liquidity Coverage Ratio" which will have to amount to a minimum of 100% as from 1 January 2015.

• The ACPR ratio to which Dexia Crédit Local is subject is defined as the ratio of cash to liabilities over a forecast one-month period; the ratio thus calculated must always be above 100 (Instruction 2009-05 of 29 June 2009 on the standard approach to liquidity risk).

These ratios are submitted to the BNB and the ACPR on a monthly basis.

Operational risk and permanent control

Dexia's policy on operational risk management and permanent control

Dexia Crédit Local's policy regarding operational risk management consists of regularly identifying and assessing the various risks and existing controls to check that the predefined level of tolerance for each activity is respected. If predetermined limits are exceeded, the governance in place must ensure that corrective action is quickly taken or that improvements are put in place to bring the situation back within acceptable parameters. This system is supplemented by a prevention policy covering in particular information security, business continuity and, when necessary, the transfer of certain risks via insurance.

In terms of permanent control, Dexia Crédit Local's policy aims to ensure that the areas of risk laid down in the French CRBF Regulation 97-02 relating to the internal control are covered by a system of first and second level controls. Heads of operational departments and members of staff in those departments are responsible for adapting first level permanent controls and ensuring that they are properly implemented within their business areas. Second level controls are carried out by specialist functions. The execution of permanent controls is audited quarterly via the report on the permanent control plan, and corrective action plans are drawn up and implemented if necessary.

Risk measurement and management

The follow-up of the operational risk is done within the framework of the standard approach determined by the regulatory methodology of Basel II. Under this methodology, information relating to the operational risk must be transferred by the operational actors to the managers in charge of the follow up of this risk, and a follow-up of the tasks identified as critical must be done.

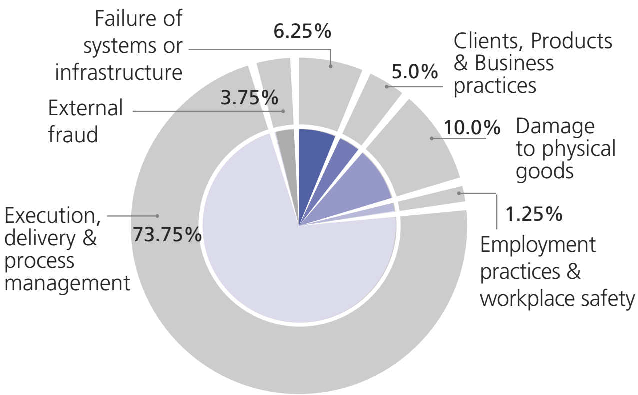
The Company Project identifies the operational risk management as one of the pillars of Dexia' strategy in the context of its orderly resolution.

The operational risk management system relies on the following components.

Operational risk database

The systematic capture and monitoring of operational incidents is one of the most important requirements of the Basel Committee. By capturing data on its operational incidents, Dexia Crédit Local not only complies with regulatory requirements but also obtains information that it can use to improve the quality of its internal control system.

The breakdown of total losses among standard event types in 2013 is as follows:



Self-assessment of risks and control

As well as building a history of losses, Dexia Crédit Local's exposure to key risks is determined via an annual risk mapping exercise. All Dexia Crédit Local entities conduct risk self-assessment exercises that take into account existing controls, thus providing senior management with an overall view of most areas of risk within the various entities and businesses. Actions to limit risk may be defined where applicable.

Definition and monitoring of action plans

Corrective actions are defined in response to major incidents, deficient controls or important risks identified. In this respect, the operational risk management function does a regular monitoring. By virtue of this process, the internal control system is continuously improved and key risks are appropriately mitigated over time.

Permanent control

The permanent control system is aimed at ensuring that all business areas have high-quality key controls covering all major risks, whatever their nature. This includes both first level controls performed by operational staff and second level controls performed by non-operational support functions.

On the basis of a control plan that is updated each year, quarterly campaigns are run to check that controls are properly executed, with detailed reports presented to the various governing bodies. Corrective actions are always defined whenever shortcomings are identified.

Management of information security and business continuity

The information security policy and associated instructions, standards and practices are intended to ensure that Dexia Crédit Local's information assets are secure. Security programmes and defined responsibilities ensure that all activities take place in a secure environment. As required by Dexia Crédit Local's policy on business continuity, the different activity lines must draw up impact analyses for any interruption in vital activities. They must define substantiated recovery plans and ensure that business continuity plans are tested and updated at least once a year. On the basis of regular reporting, the Management Board signs of recovery strategies, residual risks, and action plans with the aim of delivering continuous improvement.

Management of insurance policies

Dexia also ensures that operational risk is kept to a minimum by taking out Dexia Crédit Local's insurance policies covering professional liability, fraud, theft and interruptions in activity. The overall policy on insurance lays down the principles governing insurance cover for the various risks incurred, to be implemented at both mother company and subsidiary level.

Calculation of regulatory capital requirements

Dexia Crédit Local applies the "Basel II" standard approach to calculate regulatory capital for operational risk management purposes.

The table below sets out capital requirements for 2012 and 2013:

CAPITAL REQUIREMENT	2012	2013
(in millions of EUR)	410	202

Management of operational risk during the transition period

Both 2012 and 2013 were key years in the implementation of the Dexia Crédit Local's orderly resolution plan, including in particular the disposal of a number of operating entities. Such transition phases are by nature liable to give rise to operational risks, particularly as a result of factors such as the departure of key personnel, potential staff demotivation, and process changes when operational applications need to be replaced or duplicated.
The key components of the management system described above continue to be applied during this period. Specifically with regard to self-assessment of risks and controls, the bank's management was called upon several times during the year to assess the risk of discontinuity associated with the factors referred to above. A map of critical tasks was drawn up and action plans were put in place whenever incidents occurred. The results of these analyses and action plan updates were regularly presented to the Management Board for approval.

Furthermore, the separation of Dexia Crédit Local from SFIL is subject to specific analysis and monitoring, particularly concerning the continuity of critical tasks.

Finally, under its ongoing reorganisation plan, Dexia Crédit Local has taken action to prevent psycho-social risks and provide staff with support in connection with such risks.

Litigations

Like many financial institutions, Dexia Crédit Local (DCL) is subject to a number of regulatory investigations and is named as a defendant in a number of lawsuits, including class action suits in the United States and Israel. Moreover, the reduction of the Group's scope, along with some measures implemented in the framework of Dexia's resolution, has raised questions from some of its stakeholders or counterparties. Unless otherwise indicated, the status of the main disputes and investigations summarised below is as at 31 December 2013 and based on information available to DCL at that date.

The consequences, as assessed by Dexia in accordance with the information available to it at the aforementioned date, of the principal disputes and investigations liable to have a material impact on the Group's financial position, performance or activities are reflected in the consolidated financial statements. Subject to the general terms and conditions of professional indemnity and Directors' liability insurance policies taken by Dexia, any negative financial consequences of some or all of these disputes and investigations may be covered, in full or in part, by those policies and, subject to the insurers in question accepting these risks, may be offset by any payments that Dexia may receive under the terms of those policies.

Financial Security Assurance

Financial Security Assurance Holdings Ltd (now Assured Guaranty Municipal Holdings Inc. and hereinafter referred to as "FSA Holdings") and its subsidiary, Financial Security Assurance Inc. (now Assured Guaranty Municipal Corp. and hereinafter referred to as "AGM"), both former subsidiaries of the Dexia Group, together with many other banks, insurance companies and brokerage firms, are being investigated in the United States by the Antitrust Division of the US Department of Justice (DoJ), the US tax authorities and/or the US Securities and Exchange Commission (SEC) on the grounds that they violated laws and regulations in connection with bidding on and entering into municipal derivatives transactions, including guaranteed investment contracts (GICs[(1)]), with municipal bond issuers. A number of US states have also initiated similar investigations.

In addition to the government investigations described above, a large number of banks, insurance companies and brokerage firms, including in some cases FSA Holdings, Dexia and/or AGM, have been named as defendants in various civil proceedings relating to municipal GICs and other transactions entered into with local authorities. These civil claims are based on alleged breaches of antitrust laws and other laws and regulations. Almost all these civil proceedings have been consolidated for pre-trial purposes before the US District Court for the Southern District of New York.

In addition to its direct exposure as defendant in some of these legal actions, under the terms of the sale of FSA Holdings and AGM to Assured Guaranty Ltd, Dexia retained the Financial Products business and agreed to indemnify AGM and Assured Guaranty Ltd for any losses related to this business that these companies may incur as a result of the investigations and lawsuits referred to above.

(1) The guaranteed investment contracts (GICs) that are the subject of these investigations and lawsuits were issued by subsidiaries of FSA Holdings in exchange for funds invested by US municipalities, or in favour of issuers of securitised debt. GICs, whose terms and repayment conditions vary, entitle their holders to receive interest at a guaranteed fixed or floating rate, as well as recouping their initial investment. The payment of principal and interest on the GICs was guaranteed by AGM and remains so subsequent to that company's acquisition by Assured Guaranty Ltd.

On 8 January 2014, the SEC concluded its investigation into FSA Holdings and, based on the information available to it at that date, found that there were no grounds for it to continue its investigations into FSA Holdings.

Next to these developments, the US Department of Justice (DoJ) indicted on 27 July 2010 the former AGM employee Steven Goldberg, together with two former colleagues of Goldberg at his previous employer, in the bid-rigging case. The DoJ did not charge either AGM or any other entity in the Dexia Financial Products Group in connection with its indictment of Goldberg. Goldberg was found guilty of fraud on 11 May 2012, and received a custodial sentence and a fine at the end of October 2012. However, on 26 November 2013 the US courts overturned the verdict against Goldberg and freed him. The District Attorney has appealed this decision.
In spite of some recent developments, DCL is not able at present to reasonably predict the duration or outcome of the various investigations and legal proceedings in progress, or their potential financial repercussions. Furthermore, due to the nature of these investigations as well as the civil proceedings relating to the same matter, any indication as to whether provisions have been set aside in connection with these investigations or disputes or their subject matter and, if so, the amount of any such provisions, could seriously prejudice DCL's legal position or defence in connection with those legal actions or any related proceeding.

Dexia banka Slovensko

In June 2009, a customer of Dexia banka Slovensko, which had defaulted on its collateral posting obligations in respect of certain currency transactions, initiated legal proceedings against the bank, claiming EUR 162.4 million for non-compliance with legal and contractual obligations. Dexia banka Slovensko submitted a counterclaim for EUR 92.2 million. On 17 May 2010, the District Court of Bratislava ruled in favour of the former customer, ordering Dexia banka Slovensko to pay a principal amount of EUR 138 million. In a separate judgment, the court also ordered Dexia banka Slovensko to pay legal costs totalling EUR 15.3 million. Dexia banka Slovensko appealed both decisions to the Court of Appeal of Bratislava and, in response to these convictions, withdrew its counterclaim, which was still pending before the District Court, and filed it with the Permanent Chamber of Arbitration of the Slovak Banking Association. On 25 January 2011, the Court of Appeal of Bratislava issued a ruling overturning both judgments. In its ruling, the Court of Appeal dismissed almost all the arguments put forward by the District Court and stated that the latter had not properly established the facts of the case and had erred in its legal arguments. As such, the case was returned to the District Court, which is obliged to take into account the (binding) arguments put forward by the Court of Appeal. However, the bank's former customer appealed the Court of Appeal's ruling by submitting an extraordinary appeal to the Slovak Supreme Court, which was dismissed on procedural grounds in a decision by the Supreme Court on 18 June 2012; the Supreme Court confirmed that there were no valid grounds to review the judgment issued by the Court of Appeal. The case had therefore been returned to the District Court of Bratislava, which should rule in accordance with the instructions and arguments put forward in support of the decision returned by the Court of Appeal.

A settlement agreement was entered into in early October 2013 and its execution was subject to the fulfilment of suspensive conditions, that have been met in March 2014, resulting in a final payment of about EUR 12.5 million in favour of DCL.

Dexia Crediop

Like other Italian banks, Dexia Crediop is involved in legal proceedings regarding hedging transactions (which required recourse to derivative instruments such as swaps) entered into in connection with debt restructuring agreements with local authorities. Under Italian law, debt may be restructured only if doing so leads to a reduction in the cost borne by the local authority (the "economic convenience test"). The legal question raised is whether or not the cost to be taken into consideration when carrying out the economic convenience test includes hedging costs.

Dexia Crediop is a party in a number of proceedings brought by a total of a dozen Italian regions, cities and provinces relating to debt restructuring transactions and accompanying hedging arrangements.

In the lawsuit between Dexia Crediop on 23 January 2014 and the Province of Pisa, the Court of Cassation declared the appeal filed by the Province against the decision of the Council of State of 27 November 2012 inadmissible. Consequently, this ruling definitively recognizes the earlier ruling of the Council of State, which confirmed the validity of the derivative instruments concluded between the two parties.

On 16 July 2013, the High Court of Justice in London, which had jurisdiction under the terms of the contract governing the hedges in question, confirmed its position on the validity and enforceability of interest rate swaps entered into by the Region of Piedmont. In a separate ruling on 30 July 2013, the Court ordered the Region of Piedmont to pay the amounts due under the interest rate swaps in question, plus interest and legal costs. Agreement was reached with the City of Florence in mid-August 2013 recognising the validity of the swaps from the outset and, by extension, of all net amounts due by the city.

Dexia Crediop has also filed a number of claims in civil and administrative courts to protect its rights under the relevant hedging agreements. In three of these proceedings, criminal charges have been brought against employees of Dexia Crediop which, if maintained, could also imply administrative liability on the part of Dexia Crediop for failing to take appropriate steps to prevent its employees from committing the alleged crimes. The employees in question and Dexia Crediop deny any charges brought against them in this regard. On 14 January 2013, the criminal charges for alleged fraudulent behaviour in one of these three proceedings were dismissed. This was confirmed in a ruling issued on 14 January 2014 in the lawsuit between Dexia Crediop and the Region of Tuscany.

In spite of recent developments, DCL is not able at present to reasonably predict the duration or outcome of these proceedings, or their potential financial repercussions. The financial statements for the year ended 31 December 2013 show a provision of approximately EUR 5 million to cover the legal costs associated with these proceedings.

Kommunalkredit Austria / KA Finanz AG

In November 2008, the Republic of Austria assumed control of Kommunalkredit Austria AG, in which DCL held a 49% interest, alongside majority shareholder ÖVAG. To facilitate this deal, DCL agreed to convert EUR 200 million of its exposure to Kommunalkredit Austria AG into equity capital, considered under Austrian banking law as Tier 1 capital.
In 2009, when Kommunalkredit Austria AG was split, the equity capital, amounting to EUR 200 million, was allocated as follows:
• EUR 151.66 million to KA Finanz AG (formerly known as Kommunalkredit Austria AG), and
• EUR 48.34 million to Kommunalkredit Austria New ("KA New")

Having been informed of KA Finanz AG's intention to present its shareholders with a proposed resolution consisting of a write-off of the accumulated losses by reduction to zero of the equity capital allocated to DCL, with retroactive effect to 31 December 2011, DCL initiated on 13 April 2012 summary proceedings against the Republic of Austria and KA Finanz AG to prevent this cancellation of the equity capital from being passed at the shareholders' meeting of 25 April 2012. However, Dexia Crédit Local's petition was dismissed by the court on 24 April 2012. On 25 April 2012, the aforementioned resolution was passed at KA Finanz AG's shareholders' meeting.
DCL decided to contest this decision and assigned KA Finanz following a proceeding against the resolution passed at KA Finanz AG's shareholders' meeting on 25 April 2012. The Vienna Commercial Court issued a ruling on 9 March 2013 recognising that the equity capital held by DCL was still valid under the terms and conditions thereof, with a par value of EUR 151.66 million. Since some of DCL's claims were dismissed, this ruling was appealed in April 2013 (KA Finanz AG also appealed the ruling). The proceeding is ongoing.
Alongside these developments, on 27 November 2012 DCL initiated proceedings against KA Finanz AG and KA New contesting the terms of the 2009 split of Kommunalkredit Austria AG and in particular the repartition of the equity capital held by DCL between the two entities resulting from the split. DCL claims that the EUR 200 million in equity capital should be apportioned equally between KA Finanz AG and KA New. The proceeding is ongoing. DCL is not able at present to reasonably predict the duration or outcome of these proceedings, or their potential financial repercussions.

Structured loans litigations

DCL is involved in a number of cases brought by local authorities to which it had granted structured loans. At 31 December 2013, 219 clients issued summonses against DCL in connection with structured loans, of which 178 concern structured loans held by the Société Française de Financement Local (SFIL), parent company of the Caisse Française de Financement Local (CAFFIL), 20 concern structured loans held by DCL and 21 concern both institutions. It must be noted that DCL did not give any representation nor warranties on the loans of CAFFIL at the moment of the sale of SFIL in January 2013. Nevertheless, DCL, as legal representative of CAFFIL until the moment of the sale, remains responsible for any damages granted to a borrower due to the non-respect of its contractual or regulatory obligations relating to the origination or the commercialisation by DCL of the structured loans held by CAFFIL at the moment of the sale.

On 8 February 2013, the Superior Court (*Tribunal de Grande Instance*) of Nanterre issued rulings on the claims brought against DCL by Département de la Seine-Saint-Denis in connection with three structured loans.

The Superior Court of Nanterre dismissed the petitions by Département de la Seine-Saint-Denis to overturn the three contested loan agreements, as well as all of its claims for damages. The Court considered, however, that faxes preceding the signature of the final agreements could be described as "loan agreements", and that failure to state the Effective Annual Percentage Rate (EAPR) on those faxes meant that the statutory interest rate was applicable.
DCL has appealed these rulings and CAFFIL submitted an application to intervene to the Appeal Court of Versailles, on 5 April 2013.

In a decision dated 7 March 2014, the Superior Court of Nanterre ruled that, concerning the EAPR, in absence of indication of the period reference rate and its duration, the statutory interest rate was applicable. DCL, in connection with SFIL, is currently analysing the appropriate actions to be taken, following this decision.
The loans referred to in the Court's decision fall within the scope of the disposal of the SFIL and, if confirmed, the judgement would have no financial impact for the Dexia Group, as the assets sold are now borne by CAFFIL.
Should the Superior Court of Nanterre's decision be confirmed and become established case law, its extension to other financings on Dexia's balance sheet would be likely to introduce significant risks, which at this stage are difficult to assess.
The French Constitutional Council, in its decision of 29 December 2013 relating to the 2014 Finance Law, approved the support fund measure for local authorities and the creation of a support fund with a contribution of EUR 100 million per year during 15 years. The Council has also approved the principle to benefit from the fund which is based on the entry into an agreement under which the borrower waives its rights to conduct any legal proceeding with respect to the supported loans. The Constitutional Council has considered that paragraph 2 of article 92 which confirmed the lack of reference to the Effective Annual Percentage Rate ("EAPR") in loan agreements was too broad since it applies to all legal persons public or private, and all loan agreements, structured or not.
The French Constitutional Council has considered that paragraph 3 regarding the error in the reference of the "EAPR"' amended the consumer code and should not be in the Finance Law. Therefore, this decision relates to the terms of the confirmation law and not its principle. In a press release published on 29 December 2013, the Ministry of Economy and Finance has acknowledged this decision and has announced that "a legislative measure taking into account the arguments raised by the Constitutional Council will be prepared at the earliest opportunity".
The implementing decree, which will complete the law by detailing the access conditions and management of the fund, will be published soon.

Dexia Kommunalbank Deutschland, an subsidiary of DCL, was also assigned for a small number of litigations relating to structured credits.

Dexia Israel

In May 2002, a group of minority shareholders brought a class action against DCL concerning its acquisition of shares held by the State of Israel and certain banks when Dexia Israel (DIL) was privatised. The plaintiffs alleged a breach of corporate law which would have required to make an offer for all the shares in DIL. In April 2009, the Central District Court of Tel Aviv rejected the plaintiffs' claim. However, the plaintiffs appealed to the Supreme Court, which ruled on 17 June 2012 that DCL should have acquired all the shares via a compulsory public tender offer. Consequently, the Supreme Court returned the entire case (including recognition of the claim as a class action, existence of losses and, as the case may be, appropriate remedies) to the Tel Aviv District Court. On 27 May 2013, the Supreme Court of Tel Aviv asked the parties to consider seeking agreement via a mediation process. All the interested parties have met a number of times as part of the process, which is still ongoing at this time.

In December 2011, nine individual shareholders filed another class action against DCL and the Union of Local Authorities in Israel (ULAI), in their capacity as shareholders, and against Dexia Israel. This action is based, inter alia, on an alleged failure to complete the process of equalising the rights attached to shares in Dexia Israel, which the applicants claimed was detrimental to them. In January 2013, the District Court of Tel Aviv decided to stay the proceeding until such time as a final judgment (including on appeal) has been returned in the first class action.

Furthermore, in July 2012 certain minority shareholders filed a motion to approve a derivative action, on behalf of Dexia Israel, against DCL and 20 current and past directors of DIL, claiming, inter alia, reimbursement of dividends allegedly overpaid by Dexia Israel to DCL since the latter acquired its shareholding. This action was included in the mediation process of the first class action.

DCL is not able at present to reasonably predict the duration or outcome of these proceedings, or their potential financial repercussions.

Applications for annulment of the Belgian Royal Decrees granting a State guarantee to Dexia and Dexia Crédit Local

By decisions dated 2 October 2013 and 13 November 2013, the Belgian Council of State rejected the requests for annulment of the Royal Decrees dated respectively 18 December 2012 and 18 October 2011 relating to the State guarantee granted to Dexia and DCL. As a reminder, those two Royal Decrees were ratified with effect as from their respective date of entry into force by law dated 17 June 2013.

Litigation arising from disposal of the Group's operating entities

Throughout 2013, Dexia continued with its programme of divestment of operating entities, as laid down in the revised orderly resolution plan (see page 11 of this registration document) and closed several divestments in the course of this year.
As is customary in these types of transactions, the share sale agreements in relation to these disposals include warranties subject to the usual restrictions and limitations, as well as certain specific indemnities. As such, DCL, as the case may be, have made warranties to the purchasers. That being the case, should a purchaser make a call on the warranty in connection with an issue affecting the purchased entity that originated prior to completion of the sale of the shares in that entity, DCL may, under the terms of the sale agreement, be required to indemnify the purchaser.

Stress tests

Taking into account the orderly resolution plan, Dexia Crédit Local has carried out stress tests in a manner consistent with its risk management process. The purpose of these stress tests is to measure the sensitivity of Dexia Crédit Local in the event of adverse shocks, in terms of expected losses, weighted risks, liquidity and capital requirements.

In 2013, Dexia Crédit Local performed a series of stress tests (including sensitivity analysis, scenario analysis and the assessment of potential vulnerabilities) based on macroeconomic scenarios reflecting crisis situations. In addition to regular stress tests covering market and liquidity risk in accordance with regulatory requirements, Dexia Crédit Local also carried out in 2013 stress tests covering the majority of its credit portfolios. In particular, within the framework of Pillar 1 of Basel II, the credit exposure covered by internal rating systems is tested for sensitivity and performance under adverse macroeconomic scenarios.

Application of and changes in the regulatory framework

Relying on the various mechanisms put in place to meet the requirements arising from the Basel II regulations and subsequent changes to those regulations, Dexia Crédit Local did everything to achieve compliance with the new Basel III regulations when they entered into force on 1 January 2014. This focused in particular on capital requirements linked to exposure to central counterparties, the treatment of large financial sector entities and unregulated financial entities as well as the production of reportings in new formats.
Regarding capital market activities, Dexia Crédit Local has put in place procedures in relation to the prudent valuation of its positions, in accordance with the requirements of Basel III.
Under the ECB's Single Supervisory Mechanism (SSM), Dexia Crédit Local is one of the financial institutions subject to the ECB's Asset Quality Review (Cf section "Highlights" of this registration document).

Human resources, environmental and social data

Dexia Crédit Local's sustainable development approach

Dexia Crédit Local abides by the Dexia Group's sustainable development approach.
Since 2001, the Dexia Group has published a sustainable development report focused on its responsibilities in relation to its employees, the environment and society as a whole (CSR – corporate social responsibility). In light of the Group resolution process, Dexia SA no longer publishes a consolidated CRS report. Instead, each of the Group's operating entities now publishes such a report.

The French legal and regulatory framework governing CSR reporting

With effect from 2012, Article 225 of the July 2010 "Grenelle 2" Act, as amended by the March 2012 "Warsmann 4" Act, amends Article L.225-102-1 of the French Commercial Code as it resulted from Article 116 of the 2001 "New Economic Regulations" Act. This section of the report sets out Dexia Crédit Local's CSR information as amended by the Act.

Methodology

As a company whose shares are admitted to trading on a regulated market, Dexia Crédit Local is required to set out in its management report the actions taken and strategies adopted to take account of the social and environmental consequences of its business, and to fulfil its social commitments in favour of sustainable development. The information to be reported covers 42 topics broken down into three categories: human resources data, environmental data and data on the Company's social commitments in favour of sustainable development.
The CRS report covers the consolidated Dexia Crédit Local Group. This mainly includes Dexia Crediop, Dexia Crédit Local Dublin, Dexia Crédit Local New York, Dexia Israel and Dexia Kommunalbank Deutschland AG.
It should be noted that certain topics are not relevant or no longer apply to Dexia Crédit Local and its subsidiaries and branches due to the nature of their activities or the Group's circumstances, as well as the significant reduction in the scope of the Dexia Crédit Local Group in 2013. The following topics are not included due to their being insignificant or non-material:

• resources dedicated to the prevention of environmental risk and pollution;
• the amount of provisions and guarantees for environmental risk;
• measures to prevent, reduce or remedy emissions to air, water and the ground that cause serious damage to the environment;
• consideration of noise pollution and any other forms of pollution specific to a given activity;
• land use;
• steps taken to protect or develop biodiversity;
• other actions in favour of human rights.

Changes in personnel (recruitment, dismissals, etc.), absenteeism, compensation, training and accident statistics are reported across the scope of the Dexia Crédit Local France UES (unité économique et sociale – economic and employee unit), including Dexia CLF Banque, but are not consolidated at global level.
Energy consumption is reported across a scope that includes the head office premises of both Dexia and Crediop. Only around 15 employees of the Dexia Crédit Local France UES (i.e. around 2% of the workforce) are not based in Dexia's head office building.
Emissions by type of transport are reported across the scope of the Dexia Crédit Local France UES.

Dexia Crédit Local has appointed Deloitte and Mazars to verify and confirm the non-financial information set out below in respect of 2013.

1. Human resources data

1.1. Employment data

Total workforce as at 31 December 2013 and breakdown by gender and socio-professional category

As at 31 December 2013, Dexia Crédit Local (the Dexia Crédit Local France UES scope including Dexia CLF Banque) had a total of 766 employees, compared with 1,170 a year earlier. Dexia Crédit Local recruited a total of 134 employees in the year (compared with 77 in 2012), with 73 of these recruited onto permanent contracts, 47 onto fixed-term contracts and 14 onto work-study contracts. In addition, 11 interns worked for the Company as part of their studies.

(Average full-time equivalent)	2012	2013
Management	7	6
Managers	993.2	676.5
Administrative personnel	132.4	57.9
Non-administrative and other personnel	-	-
TOTAL	1,132.6	740.4

(Scope: Dexia Crédit Local France UES including Dexia CLF Banque)

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

Breakdown of employees by age and socio-professional category

2013	< 25	25 to 29	30 to 34	35 to 39	40 to 44	45 to 49	50 to 54	55 to 59	60 and over	Total
Management	-	-	-	1	2	2	-	-	1	6
Managers	10	84	121	140	124	89	51	49	22	690
Administrative personnel	14	7	6	10	7	12	10	3	1	70
Non-administrative and other personnel	-	-	-	-	-	-	-	-	-	-
TOTAL	**24**	**91**	**127**	**151**	**133**	**103**	**61**	**52**	**24**	**766**

(Scope: Dexia Crédit Local France UES including Dexia CLF Banque)

Breakdown of employees by business sector

	2012	2013
Dexia Crédit Local France UES (excluding employees seconded from Dexia SA)	997	766
Dexia SA France (employees seconded from Dexia SA)	173	-
Dexia Crediop	193	188
Other European businesses	236	212
Other non-European businesses	142	144
ALL CATEGORIES	**2,199**	**1,310**

(Scope: Dexia Crédit Local consolidated)

Breakdown of employees by geographical region

	2012	2013
France (including employees seconded from Dexia SA France)	1 628	766
Spain/Portugal	38	34
Italy	193	188
Other Europe	198	178
North America	141	143
Other regions outside Europe	1	1
TOTAL	**2,199**	**1,310**

(Scope: Dexia Crédit Local consolidated)

Breakdown of employees by gender

	2012	2013
Male	1,084	714
Female	1,115	596
TOTAL	**2,199**	**1,310**

(Scope: Dexia Crédit Local consolidated)

Agency staff

Three agency staff were working for the Company as at 31 December 2013 (Scope: Dexia Crédit Local consolidated)

Changes in personnel

	2012	2013
New recruits onto permanent contracts	23	73
Permanent contract staff dismissed	22	9
Permanent contract staff laid off on economic grounds	-	151 (including départs voluntary leavers)
Permanent contract staff resigning	87	29
Staff leaving under the terms of the agreements with La Banque Postale	-	31
Staff moving from fixed-term to permanent contracts	7	25
New recruits onto fixed-term contracts (including work-study contracts)	54	61
Fixed-term contract staff laid off	1	0
Fixed-term contract staff resigning	4	6
Fixed-term contracts (including work-study contracts) expiring	-	41

In addition to these figures, 264 permanent contract staff were transferred to SFIL and nine others left to take up other roles within the Group or due to death or retirement (scope: Dexia Crédit Local France UES including Dexia CLF Banque)

1.2. Structural measures/ Reduction in Force Plan

Reorganisation of the Dexia Crédit Local UES

On 28 September 2012, Dexia put forward plans to reorganise the Dexia Crédit Local UES/Dexia CLF Banque as part of the restructuring of the Dexia Group and the implementation of new funding arrangements for the French local public sector.

On 11 January 2013, the Works Council and the Health and Safety Committee gave their opinions on the planned reorganisation and the Reduction in Force Plan as a whole. The new organisational structure was rolled out in the first half of 2013. To this end, representatives of management and labour negotiated an employee management agreement providing, in particular, for the implementation of advance measures (see "Employee management agreement" below) and an advance voluntary exit period running from October 2012 to 28 February 2013 to allow employees whose jobs were directly affected or who belonged to an affected professional category to voluntarily leave the Company provided that they filed a professional development plan (new job, training/education, starting their own business, etc.).

Dexia Crédit Local staff transferred to Société de Financement Local (SFIL)

As part of the implementation of new local government funding arrangements, SFIL began operations on 1 February 2013. The launch of SFIL and Caisse Française de Financement Local (CAFFIL) was supported by Dexia Crédit Local systems and the expertise of Dexia Crédit Local staff.

In finalising the transfer of the relevant activities to SFIL and CAFFIL, Dexia made significant progress in implementing its orderly resolution plan.

Between 1 February and 31 December 2013, 264 employees of Dexia Crédit Local joined SFIL.

As at 31 December 2013, of the 323 jobs cut (which included 26 jobs in Project Finance) as set out in the 28 September 2012 reorganisation plan:
- 78 employees had been reassigned;
- 100 employees had accepted voluntary exit packages;
- 91 employees had received compulsory redundancy;
- 44 employees had joined a partner company (La Banque Postale);
- 10 job cuts are still pending.

It should be noted that some of the moves to La Banque Postale began in late 2012.

Presentation of a second planned reorganisation for Dexia

On 13 June 2013, management presented a second workforce adjustment plan to the Works Council of the Dexia Crédit Local/CLF Banque UES.

This plan proposed marginal changes to the organisation of Dexia as part of the implementation of the Group's orderly resolution plan.
It covered jobs that are no longer justified, in particular in light of the run-off of Dexia CLF Banque's operations, the process of transferring or reducing activity in the Group's French and international subsidiaries and the transfer of the Dexia Foundation's project portfolio, as well as jobs not compatible with the target organisation. The plan called for the removal of 18 occupied positions linked to the activities of Dexia CLF Banque and the creation of 12 new positions within the current structure of Dexia Crédit Local to continue to manage those activities on a run-off basis. It also entailed the removal of 13 occupied jobs for other reasons.

Employees whose positions are removed will be eligible for employee support measures previously negotiated between Dexia and the trade unions under the employee management agreement signed on 27 June 2013 (see "Employee management agreement" below).

This organisational adjustment plan was designed to perfect Dexia's target organisation as set out in the reorganisation plan for the Dexia Crédit Local/CLF Banque UES dated 28 September 2012. On 25 July 2013, the Works Council and the Health and Safety Committee gave their opinions on the planned reorganisation and the Reduction in Force Plan.

As at 31 December 2013, of the 31 jobs cut as part of this second plan:
- 12 employees had accepted voluntary exit packages;
- 9 employees had been reassigned;
- 5 employees had received compulsory redundancy;
- 5 job cuts were still pending.

Given the required notice periods, a large proportion of the affected staff will be recorded as having physically left in early 2014.

1.3. Compensation and benefits

Compensation policy

Under Group procedures, Dexia SA's Appointments and Compensation Committee is responsible for preparing all matters relating to compensation policy. The Committee's proposals are then submitted to the Board of Directors of Dexia SA, which approves the appropriate actions to be taken. Once validated, the compensation policy is submitted to the Board of Directors of Dexia Crédit Local for approval.
Dexia defines its compensation policy in compliance with the undertakings given to the Belgian, French and Luxembourg governments and the European Commission under the terms of the Group's orderly resolution plan. In particular, Dexia applies the compensation principles set out by the G20 and national bodies, and the Group takes care to ensure that public funds are put to the best possible use as regards compensation.
The policy applies to both fixed (non-performance-related) compensation and any variable (performance-related) compensation, the general principles of which apply to all employees. These principles include aligning compensation policies and practices in order to create a balance between fixed and variable compensation that does not encourage excessive risk-taking, and establishing methods for evaluating the relationship between performance and variable compensation.
In order to comply with rules and recommendations on good governance and sound compensation practices and to avoid in any way incentivising excessive risk-taking, the Dexia Group has sought to reduce the variable component of compensation for those of its employees who are contractually entitled to variable compensation. The variable component of compensation may not exceed 0.3 times an employee's annual fixed compensation.
At the same time, exceptional additional non-variable compensation (known as a "salary supplement") has been offered to affected employees so as to increase their non-performance-related compensation. This recurring supplement is subject to a continued employment requirement under which employees must be employed by Dexia Crédit Local on the last day of the quarter to which the salary supplement relates.
Furthermore, specific arrangements apply to a population specifically identified as liable to affect the Dexia Group's risk profile in view of the nature or level of their duties and/or compensation (see page 46 of this registration document).
Compensation policy and its implementation are regularly assessed to identify any provisions that might need to be adjusted, particularly in light of the entry into force of new legislation or regulations.

Average annual compensation over time and breakdown by gender and socio-professional category

This information covers employees on permanent contracts who have been employed by the Company for two consecutive years. Employees who have changed category are included in the category to which they belonged during the second year.

	2012			2013		
Euros	Male	Female	Total	Male	Female	Total
Management	213,333	212,500	213,125	245,000	209,433	223,660
Managers	68,283	57,000	63,361	70,176	58,233	64,446
Administrative personnel	37,054	37,518	37,476	37,710	38,507	38,455
Non-administrative and other personnel	-	-	-	-	-	-
AVERAGE	**69,277**	**53,308**	**61,430**	**71,014**	**56,996**	**63,802**

(Scope: Dexia Crédit Local France UES including Dexia CLF Banque)

In 2013, gross annual payroll costs totalled EUR 80.13 million (compared with EUR 83.98 million in 2012).

Employer's contributions

In 2013, annual employer's contributions totalled EUR 42.15 million (compared with EUR 50.49 million in 2012).

Application of Title IV, Book IV of the French Labour Code: discretionary and compulsory profit-sharing

Discretionary profit-sharing (intéressement)

In light of Dexia's financial position, the parties agreed to sign a rider amending the discretionary profit-sharing agreement of 28 June 2011 so as to adjust the calculation formula. In light of the Dexia Group's transformation, the formula set out in the agreement signed on 28 June 2011, relating to profit generated by the Public and Wholesale Banking France business line, became obsolete.
The new basis on which discretionary profit-sharing was calculated for 2013 was the Dexia Group's surplus regulatory capital relative to the plan submitted to the European Commission in November 2012. The formula also includes booster coefficients linked to the achievement of four strategic objectives (SFIL's IT duplication plan, desensitised loans, the funding plan and cost management).
Employees must have been with the Company at least three months to qualify for discretionary profit-sharing.
The amount of discretionary profit-sharing paid to each eligible employee is proportional to his or her actual hours worked. In calculating hours worked, part-time employees are treated separately from full-time employees.
Amounts paid out under the discretionary profit-sharing scheme may be paid directly to beneficiaries and/or invested in the Group employee savings plan (PEG) and/or the Intercompany Collective Retirement Savings Plan (PERCOI).
The employer makes a 100% matching contribution up to a maximum gross amount of EUR 1,000 for all amounts invested in one or more of the funds offered by the PERCOI.
The following amounts of discretionary profit-sharing have been paid in respect of the past three years (gross amounts excluding matching contributions):

- 2011: the amount allocated totalled EUR 8.45 million (paid in 2012)
- 2012: the amount allocated totalled EUR 733,000 (paid in 2013)
- 2013: the amount set aside totalled EUR 1.06 million (to be paid in 2014)

French compulsory profit-sharing (participation)

In accordance with the 25 June 2013 agreement, entered into for an unspecified period with effect from the year beginning 1 January 2013, the amount set aside for the special reserve for French compulsory profit-sharing is calculated using the statutory formula.
Eligibility for French compulsory profit-sharing is subject to the same length of service requirement as that imposed for discretionary profit-sharing.
The amount due is proportional to the employee's salary, capped at four times the social security ceiling, and the total amount paid to an employee within a single year may not exceed three quarters of that same ceiling.
Amounts paid out under the French compulsory profit-sharing scheme may be paid directly to beneficiaries and/or invested in the Group employee savings plan (PEG) and/or the Intercompany Collective Retirement Savings Plan (PERCOI) and/or deposited in the restricted current account.
The employer makes a 100% matching contribution up to a maximum gross amount of EUR 1,000 for all amounts invested in one or more of the funds offered by the PERCOI.
The following amounts of French compulsory profit-sharing have been paid in respect of the past three years:

- 2011: in light of the Dexia Crédit Local Group's financial position, no French compulsory profit-sharing was paid
- 2012: in light of the Dexia Crédit Local Group's financial position, no French compulsory profit-sharing was paid
- 2013: in light of the Dexia Crédit Local Group's financial position, no French compulsory profit-sharing was paid

Employee share ownership programme

Employees of Dexia Crédit Local are eligible to participate in the employee share ownership programme (ESOP) established for the entire Dexia Group. However, no new ESOP has been put in place since 2009.
Only shares issued by Dexia SA, the Group's Belgian holding company, may be included in mutual funds or directly held by employees as part of the Group employee savings plan.

Compensation paid to corporate officers and persons whose professional activities have a material impact on the Company's risk profile

The Dexia Group's compensation policy includes special provisions that apply to a specifically identified population whose duties could impact the Dexia Group's risk profile.
This population mainly consists of members of Dexia SA's Management Board and Group Committee and the management and executive boards of the main entities in the Dexia Group, including Dexia Crédit Local, as well as employees whose total compensation exceeds EUR 350,000 per annum.
Compensation paid to members of the Management Board of Dexia SA and Dexia Crédit Local now consists solely of non-performance-related fixed compensation and constitutes a total amount from which, unless the Board of Directors decides otherwise on the basis of proposals from the Appointments and Compensation Committee, are deducted any directors' attendance fees or management bonuses paid to a member of the Management Board by a company in the Dexia Group or by a third party company in which corporate office is held for and on behalf of Dexia.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

In compliance with existing legal and contractual requirements, contractual severance benefits granted to a senior executive or financial market professional may not in principle exceed 12 months' fixed and variable compensation (18 months in special circumstances). Furthermore, the agreement providing for the granting of severance benefits must include a performance criterion.

1.4. Organisation of working time

Working hours

An agreement on the organisation of working time was signed on 13 May 2013 and supplemented by a rider on 25 June 2013. The purpose of this agreement and its rider, both of which entered into force on 1 July 2013, is to align the Company's arrangements with the current legislative framework and market practice, put in place measures to facilitate work/life balance and empower team leaders to manage their staff's working hours.

Part-time employees

Across the UES, out of a total of 83 part-time employees (compared with 135 in 2012), 58 work four fifths of full-time hours, mainly due to absences on Wednesdays. At 31 December 2013, 19 employees were on part-time parental leave.

Overtime

Dexia Crédit Local makes little use of overtime. Across the UES, a total of 17,236 overtime hours were paid in 2013 (compared with 22,207 hours in 2012), equating to a gross amount of EUR 507,523 (compared with EUR 639,065 in 2012), worked by 355 employees.

Absenteeism

Across the UES, an absentee rate of 4.1% was recorded in 2013 (number of days' absence divided by theoretical total number of working days). The absentee rate takes into account sick leave and maternity and paternity leave.

1.5. Employee relations

Professional relations and employee representation

The Group recognises and respects freedom of association and the right to collective bargaining. All employees may establish or join a trade union of their choosing. The Group also recognises and respects, in accordance with applicable legislation and regulations, the right of its employees, as established through collective bargaining on labour relations, to be represented by their trade union(s).

Agreements signed within Dexia Crédit Local

The following agreements were entered into in 2013:

Working time agreement

An agreement on the organisation of working time was signed on 13 May 2013 and supplemented by a rider on 25 June 2013. The purpose of this agreement and its rider, both of which entered into force on 1 July 2013, is to align the Company's arrangements with the current legislative framework and market practice, put in place measures to facilitate work/life balance and empower team leaders to manage their staff's working hours.

French compulsory profit-sharing agreement

A compulsory profit-sharing agreement covering 2013 was entered into on 24 June 2013, based on the statutory formula for compulsory profit-sharing.

Employee management agreement

As part of the second reorganisation plan, an employee management agreement was signed on 27 June 2013. In particular, this agreement provides for employee support measures and, where applicable, the option to apply for a voluntary early exit package.

Rider to the discretionary profit-sharing agreement

A second rider to the discretionary profit-sharing agreement of 28 June 2011 was signed on 25 June 2013. The new basis on which discretionary profit-sharing is calculated is the Dexia Group's surplus regulatory capital relative to the plan submitted to the European Commission in November 2012. The total amount to be paid out is allocated among employees in proportion to actual hours worked.

Agreement on the "generational contract"

An agreement on the "generational contract" was signed on 25 November 2013 and is currently pending approval by the Regional Directorate for Enterprise, Competition, Consumption and Employment (DIRECCTE). This agreement covers commitments in relation to employment for young people and older workers and the passing on of knowledge and skills. It supplements a previous Dexia agreement known as the "Older workers' agreement".

Negotiations opened in 2013

In December 2013, management entered into negotiations with representatives of trade unions over a proposed agreement on remote working.

Intensive dialogue with representative bodies

Participation rate	62.64 %	Number of seats on Works Council	
% representation		Standing members	Substitute members
CFDT	46.50 %	6	5
SNB-CFE/CGC-CFTC Union list	29.70 %	3	3
CGT	13.80 %	1	1
FO	9.80 %	1	1

- A European employee works council at Group level in Brussels.
- An employee works council with 11 standing and 8 substitute members (25 meetings in 2013).
- A trade union delegation of nine standing and two substitute trade union delegates (13 negotiation meetings in 2013).
- Employee representatives (11 meetings in 2013): a delegation representing the Île-de-France region, with 12 standing and 7 substitute members, and another delegation representing other French regions, with 6 standing and 5 substitute members.
- A Health and Safety Committee (CHSCT) with seven standing members (six ordinary and eight extraordinary meetings in 2013).

1.6. Health and safety

Health and safety policy

Working conditions within the Dexia Group must be such that employees are safe and their physical and mental health is protected. Rules governing health and safety in the workplace are in force within all Group entities. In 2013, the Health and Safety Committee held six ordinary meetings and eight extraordinary meetings in connection with information about the Reduction in Force Plan.
A methodological agreement on workplace stress was signed in 2010.
Dexia Crédit Local's French and foreign subsidiaries and branches all comply with the applicable local regulations and apply specific procedures on health and safety in the workplace. Employees are provided with documentation on health and safety in the workplace, which they must sign when they first join the entity. This documentation is also available via local intranets, and is regularly updated.

Accidents

- Number of accidents at or while travelling to or from the workplace: 17
- Number of days off work as a result of accidents at or while travelling to or from the workplace: 333
- Frequency rate: 14.19
- Severity rate: 0.28
- Number of occupational diseases: 0

(Scope: Dexia Crédit Local France UES including Dexia CLF Banque)

1.7. Training and skills development

Training policy in 2013 continued in the same vein as previous years' training policies and was mainly structured around four key principles:
- supporting job moves and/or business change;
- boosting management skills and supporting change;
- detecting and preventing psychosocial risks;
- implementing regulatory requirements, agreements and key Company-wide approaches.

In 2013, a total of 14,800 hours of in-house and external training were delivered across the scope of the Dexia Crédit Local UES.
As in the past, Dexia Crédit Local reaffirmed its desire to ensure that every employee has the skills required to properly perform his or her duties.
Accordingly, the Company's training plan was broken down into individual business line components. Each business sector is covered, and employees in each sector can access a range of collective training activities covering sector-specific topics, in line with their requests and/or needs. Additionally, the plan also includes individual activities to help employees gain or develop skills essential to their roles and to support job moves.
As such, particular attention was paid to defining, delivering and monitoring training for employees taking up new positions. The training needs of all employees were systematically analysed before reassignment to new roles and during assessment interviews following reassignment.
It should be noted that the 2013 training plan also included training activities designed to support employees redeployed internally.

These various training efforts proved critical to the Company by securing the long-term preservation of expertise within the organisation and maintaining staff employability, particularly for staff who had been redeployed internally.
Dexia Crédit Local's French and foreign subsidiaries all encourage their employees to receive training or otherwise improve their skills through non-technical business skills, legal and regulatory training. Their aim is to ensure that every employee, including new entrants, has the skills required to properly perform his or her duties.

1.8. Equal treatment

Agreement on professional gender equality

This agreement aims to reinforce Company policy in this area, which was first introduced three years ago. This determination is reflected in the adoption of concrete actions in the following areas:
- An agreement entered into on 13 April 2012 for three years reflects the Company's commitment to improving its professional gender equality policy, in place for the past few years. This desire led to concrete action in the areas of communication, recruitment, professional development, management of careers, job moves and promotions, work/life balance and compensation. Indicators have been put in place to monitor this policy on an annual basis.
- All of Dexia Crédit Local's foreign subsidiaries are committed to promoting gender equality.

Employment and integration of people with disabilities

At 31 December 2013 the workforce of the Dexia Crédit Local UES included 12 employees with disabilities.

Other forms of discrimination

Dexia Crédit Local's French and foreign subsidiaries comply with all locally applicable measures to combat discrimination linked to an employee's age and encourage the recruitment and continued employment of people with disabilities.

2. Environmental data

Key information: energy consumption and employee travel

As part of their policy of reducing direct environmental impacts, Dexia Crédit Local and its French and foreign subsidiaries have a primary objective of reducing CO_2 emissions linked to energy consumption associated with their buildings and employees' business travel. The Bank pursues a proactive policy of reducing waste and responsibly using consumables.

2.1. Waste management and responsible management of consumables

Dexia Crédit Local's French and foreign subsidiaries have all put in place systems to sort, collect and recycle paper and internal waste (toner, electrical waste, obsolete equipment, etc.). All printers are configured by default to print double-sided in black and white, and all offices have selective recycling bins.
As part of its policy of responsible purchasing and reducing paper consumption, Dexia Crédit Local has implemented a range of actions concerning the types of paper used, such as decreasing the weight of paper and using only recycled, bleach-free virgin, PEFC-certified paper.

The Company's United States branch sorts its waste both within its offices and at basement level to facilitate effective waste collection.
Dexia Kommunalkredit Bank AG and its employees abide by the Company's environmental protection approach. As such, Dexia Kommunalkredit Bank AG uses recycled paper and has appointed a waste management company that adheres to an environmental protection charter.

2.2. Sustainable use of resources

Energy consumption

In order to limit its carbon footprint, Dexia constantly seeks to improve the energy efficiency of its premises. The bank is continuing with actions already initiated in this area by carrying out energy audits on various buildings and maintaining the proportion of its electricity consumption accounted for by green electricity.
Energy consumption is monitored within Dexia Crédit Local and Dexia Crediop. Total electricity consumption in 2013 was 9,451 MWh.

Energy consumption (MWh)	2013
Dexia Crédit Local[(1)]	
Electricity	8,029
Heating	1,681
Cooling	2,019
Dexia Crediop[(2)]	
Electricity	1,422

(Périmètre UES Dexia Crédit Local France, Dexia Crediop)
(1) Reported consumption relates solely to the head office of Dexia Crédit Local (the Dexia Tower). Data for November and December was extrapolated from the same period in 2012.
(2) Reported consumption relates solely to the head office of Dexia Crediop.

Local initiatives have been put in place to improve energy efficiency:
• In France, Dexia Crédit Local has been using 100% green electricity to power its main buildings since 1 January 2008.
• Dexia Crédit Local New York's maintenance staff have been made aware of the Energy Star programme launched by the government and intended to promote energy savings in the United States. Low energy bulbs are used to light buildings, all products used are environmentally friendly and air conditioning units are inspected and cleaned every month. The branch uses a low sulphur – and therefore less polluting – diesel fuel for its building's generator.
• In Italy, Dexia Crediop uses hydroelectric power for virtually all of its energy needs.

Water consumption

Water consumption in Dexia Crédit Local buildings has not yet been assessed. Dexia Crédit Local has put in place monitoring arrangements so that water consumption can be established from next year.

2.3. Preventing global warming

For several years, Dexia has been working to reduce CO_2 emissions associated with business travel by its employees, focusing on two areas: reducing travel and minimising the impact of travel by encouraging the use of less polluting modes of transport.

CO_2 emissions by type of transport

2013	Km travelled by air	CO_2 emissions in kilograms	Km travelled by train	CO_2 emissions in kilograms	Total CO_2 emissions in kilograms
Continental	945,647	139,220	2,219,081	143,450	282,670
Intercontinental	825,700	165,897			165,897

(Scope: Dexia Crédit Local France UES)
N.B.: Emissions are calculated using either information supplied by the service provider (CWT) or, where this is not available, emission factors from the GHG Protocol.

a. Commuting

In France, Dexia Crédit Local is demonstrating its commitment in the area of employee travel by paying 60% of the cost of public transport passes for employees working at La Défense and 50% for those working at regional headquarters.
In Ireland, in accordance with the provisions of the government's "bike to work" scheme, Dexia Crédit Local Dublin encourages employees to cycle to work.
Dexia Crediop has paid a portion of commuting costs since 2007. Other concrete steps have been taken, such as the creation of a cycle parking area at head office and involvement in the European Mobility Week.

b. Optimising business travel

To reduce distances travelled, employees are encouraged to make use of videoconferencing and conference calls. Five videoconferencing units (including one mobile unit) have been installed in Dexia Crédit Local's building at La Défense, and two in the Dexia Crediop building in Rome.

3. Data on social commitments in favour of sustainable development

3.1. Partnership and sponsorship activities

Dexia Crédit Local's commitment to society has historically been reflected in policies and actions intended to benefit local stakeholders in the various countries in which the Company has a direct or indirect presence.
For example, through its corporate foundation, Dexia Crédit Local has for many years run programmes to promote civic spirit among the most socially excluded young people, who come from disadvantaged urban areas and rural regions in crisis. Almost a million young people are helped every year by *Mission Locale* local centres for the social and professional inclusion of young people. Seven thousand advisors across the country help these young people overcome their difficulties and support them in their efforts to seek employment and secure training, healthcare, housing, and legal and civic rights.
Under Dexia's orderly resolution plan, Dexia Crédit Local is now no longer able to support these activities.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

At the Foundation's Board meeting on 26 March 2013, the directors discussed and agreed that the Dexia Foundation's activities should be transferred to the Heritage Foundation *(Fondation du patrimoine).* This charitable foundation, which has already worked with the Dexia Foundation, is willing to take over youth programmes from the *Mission Locale* centres with funding from Dexia. Representatives of the *Conseil national des Missions locales* (a government body), who sit on the Dexia Foundation's Board of Directors, have approved this decision, which will also provide young people with opportunities to be trained in professions in the built heritage sector.
Under the terms of its multi-year financial commitment, Dexia has therefore paid to the foundation amounts corresponding to its current commitment up to 2015 – i.e. EUR 1.095 million for Dexia Crédit Local and EUR 135,000 for Sofaxis.

Donations to associations

As part of its restructuring, Dexia Crédit Local decided to donate furniture from its network of regional offices to social welfare associations. Desks and pedestals, cupboards, base units, chairs and conference tables from 21 sites were donated to 28 national or local associations mainly working for the inclusion of people in difficulty.

"Caps of hope": collection in support of people with disabilities

The collection of caps at Dexia's head office building, first undertaken in 2012 with the aim of helping fund sports equipment for people with disabilities, was repeated in 2013. Seven 100-litre bags of caps were collected in 2013.

Involvement in a local revitalisation scheme

As part of its transformation plan and the first Reduction In Force Plan, Dexia Crédit Local has fulfilled its obligation to revitalise the area in which its head office is based (Hauts-de-Seine).
The scheme, which was launched in August 2011 for two years, aims to help protect or create employment in the Hauts-de-Seine département over a three-year period.
In light of Dexia Crédit Local's historical roots in local financing and its commitment to sustainable development, the scheme's objective is to fund 20 SMEs whose activities respond to an urban challenge or have an impact on transport, services for local populations or energy savings.
These companies often work in niche areas. One of the aims of the Dexia fund is help them in their markets and enable them to continue to grow while building and structuring their workforce.
Dexia undertakes its revitalisation work by funding external parties (consulting firms, organisational consultants, etc.) that provide their expertise to support SMEs in the areas identified. Dexia works with BPI to identify beneficiary companies and their support needs and to select the external parties to be involved. The budget allocated for the period from end 2011 to mid-2014 totals EUR 259,000.

3.2. Social and environmental issues and purchasing policy

Dexia Crédit Local has been using 100% green electricity to power its main buildings in France since 1 January 2008. In the United States, Dexia Crédit Local New York uses a low sulphur – and therefore less polluting – diesel fuel for its building's generator. Finally, in Italy, Dexia Crediop uses hydroelectric power for virtually all of its energy needs.

3.3. Fair practices

As a leading player in the financial services arena, Dexia is committed to running its business professionally and responsibly as regards all its products and services and in its relations with clients, other players in the financial sector, the authorities and all internal and external partners.
Any business activity gives rise to compliance risk. Failure to properly understand or manage this risk could lead to financial or commercial losses and tarnish Dexia's reputation. It could also result in administrative, legal or criminal penalties.
The purpose of Dexia's integrity policy is (i) to promote open, honest and ethical behaviour and (ii) to ensure compliance with legislation, regulations and other professional standards, as well as with Dexia's codes of ethics, codes of conduct and other Group policies, so as to promote and protect Dexia's reputation and that of its products, services and businesses.
The compliance charter sets out the Compliance function's role and remit and the governance principles underpinning Dexia's approach in this area.
These principles are reflected in policies and procedures implemented by all Group entities including Dexia Crédit Local and its subsidiaries and branches.

Preventing corruption

The Dexia Group has established rules that apply to all Group employees and aim to prevent private sector corruption. These are included in the integrity policy, the Dexia Group Ethics and Compliance Code and the policy on gifts, favours and invitations.
As part of its efforts to prevent political corruption, Dexia has adopted a "politically exposed persons" (PEP) policy. In particular, this policy is aimed at safeguarding against the risk of money laundering based on corrupt activities. The Group's country policy also incorporates corruption risk as a critical factor in the country risk classification established by the Compliance function.
Other specific policies are also designed to limit risk in this area – namely the whistleblowing policy, principles on the prevention of money laundering and terrorist financing, the policy on conflicts of interest, Dexia's policy guaranteeing the independence of its statutory auditors and the policy on the prevention of market abuse.

Preventing money laundering and terrorist financing

Dexia places the highest priority on effectively managing risk in relation to money laundering and terrorist financing and fully complying with associated domestic and international requirements.
In order to ensure a harmonised, consistent approach across the Group's various entities, Dexia has defined a series of broad policies (country policy, AML risk rating, politically exposed persons, OFAC policy, etc.), based on which Group entities have adopted procedures and instructions detailing applicable requirements and formalities in respect of the following:
- knowing and identifying clients, representatives, agents and beneficial owners;
- conducting checks against official lists of criminals, terrorists, proponents of nuclear proliferation, etc., issued by domestic and international authorities;

• monitoring account and business relationships throughout the relationship;
• monitoring transactions and detecting suspicious transactions;
• cooperating with regulatory and judicial authorities in the event of suspected money laundering or terrorist financing, in accordance with applicable requirements.

Market abuse and personal transactions

Dexia has put in place measures aimed at managing the risk of market abuse – i.e. insider trading and price manipulation in connection with financial instruments issued by Dexia or any other issuer.
These measures are primarily reflected in a policy aimed at preventing insider trading in connection with Dexia's financial instruments and a policy on personal transactions carried out by relevant persons. They also include measures governing confidentiality, insider lists and Chinese walls.

Integrity and preventing conflicts of interest

In accordance with the Markets in Financial Instruments Directive (MiFID), Dexia has put in place standards designed to guarantee a high level of investor protection, including, for example, its conflict of interest policy (updated in October 2011) and its policy on research in investment (updated in May 2010).
Internal rules have been adopted to govern external duties that might be performed by employees, in accordance with local rules and general principles on the prevention of conflicts of interest.
Dexia has a policy aimed at guaranteeing the independence of its statutory auditors.
One of the requirements of this policy is that, before any assignment not directly related to statutory audit work is assigned to the statutory auditors, checks should be undertaken to ensure that the assignment in question is not likely to affect the auditors' independence.

Whistleblowing

Dexia has put in place a whistleblowing system aimed at reducing the risk of financial losses, penalties or reputational damage as a result of failing to comply with legal and regulatory requirements.

This system enables Dexia employees to report any violation, abuse or problem that could be seriously damaging to Dexia.

Data protection and professional secrecy

Discretion and compliance with professional secrecy requirements (including, where applicable, banking secrecy) are essential in protecting Dexia's reputation; in this regard, procedures have been put in place throughout the Dexia Group in accordance with domestic regulations.

Dexia Group compliance charter in respect of supplier relations

Article 2.1 of the Dexia Group's compliance charter in respect of supplier relations covers issues relating to human resources, environmental and social data.
"Depending on the existing environment, legislation and the methods used to produce goods and services in each country, Dexia intends to select those suppliers who apply best practice and the most exemplary principles of social and environmental responsibility by:
• not using, or allowing their own suppliers or subcontractors to use child labour (children under 15) or forced labour;
• complying with all legislation and regulations aimed at providing staff with a safe and healthy working environment and working conditions in line with individual and collective freedoms, particularly as regards working hours, compensation, training, trade union representation, and health and safety;
• complying with all legislation and regulations on discrimination (including in particular discrimination on the basis of gender, religion or political affiliation) in the recruitment and management of personnel;
• not practising or supporting any form of psychological or physical coercion or hurtful or humiliating verbal abuse;
• complying with the provisions of employment law both when recruiting personnel and throughout the term of their employment contracts;
• complying with domestic legislation on environmental protection and promoting environmental best practice, particularly as regards designing innovative products, improving product life cycles, recycling and recovering waste."
Copies of the compliance charter are always provided when issuing requests for proposals, and one of the criteria for selecting suppliers is compliance with social and environmental obligations.

Report of the Statutory Auditors, appointed as independent third-parties, on the consolidated environmental, social and societal information published in the management report

Year ended December 31st 2013

To the Shareholders,
In our capacity as Statutory Auditors of Dexia Crédit Local, and appointed as independent third-parties, we hereby present you with our report on the social, environmental and societal information prepared for the year ended December 31, 2013 presented in the management report included in the reference document (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code.
Deloitte & Associés is accredited by the French National Accreditation Body (COFRAC) under number 3-1048 [1]. The application request for accreditation has been approved by the COFRAC on November 18th, 2013 for Mazars SAS, member of the network Mazars

Responsibility of the company

The Board of Directors of Dexia Crédit Local is responsible for preparing a management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols used by the company (hereafter the "Reporting Protocols"), which are available on request at the headquarters' company and for which a summary is presented in the section "Methodology" of the chapter "Human resources, environmental and social data" of the management report.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional auditing standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:
– to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of the CSR information);
– to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Protocols (Formed conclusion on the fair presentation of the CSR Information).
Our work was carried out by a team of five people between February and April 2014. To assist us in conducting our work, we referred to our corporate responsibility experts.
We conducted the following procedures in accordance with professional auditing standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the formed conclusion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000[2].

Statement of completeness of the CSR Information

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.
We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.
In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.
We have verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth in the section "Methodology" of the chapter "Human resources, environmental and social data" of the management report.
Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the management report.

Limited assurance on the fair presentation of the CSR Information

Nature and scope of procedures

We conducted three interviews with three people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

(1) the scope of which is available at www.cofrac.fr

(2) ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*

– assess the suitability of the Reporting Protocols with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices;

– verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR Information that we have considered to be most important[3]:

– for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;

– for a representative sample of entities that we have selected[4] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented 58% of the Group headcount and between 85% and 100% of the environmental quantitative information.

Regarding the other consolidated CSR Information, we have assessed its consistency in relation to our understanding of the Group.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Protocols.

Courbevoie and Neuilly-sur-Seine, 11 April 2014

French original signed by:

Deloitte & Associés	**Mazars**
Charlotte VANDEPUTTE Partner	Virginie CHAUVINs Partner

(3) Social quantitative information: total workforce as at 31 December 2013 and breakdown by gender, average full-time equivalent, number of staff recruited by contract type, number of staff dismissed and laid off, average annual compensation over time, absentee rate, number of accidents at or while travelling to or from the workplace, number of training hours.

Environmental quantitative information: energy consumption, CO_2 emissions by type of transport (plane and train).

Social and societal qualitative information: nature of agreements signed over the exercise, involvement in a local revitalization scheme.

(4) UES Dexia Crédit Local France.

Terms of office and compensation paid to directors and officers

In accordance with Article L.225-102-1 of the French Commercial Code, a list is provided below of the terms of office and duties performed by each corporate officer between 1 January and 31 December 2013, as well as the compensation paid to them during the same period. The composition of the Board of Directors at 31 March 2014 is set out on page 8 of this registration document.

1. Duties and terms of office

Chairman of the board of directors

Mr Robert de Metz

62 years old
- Chairman of the Board of Directors of Dexia SA
- Executive Director of La Fayette Management Ltd
- Director of La Fayette Investment Management Ltd
- Member of the Supervisory Board of Canal+ France S.A. (until 31 December 2013)
- Director of Média-Participations S.A.
- Chief Executive Officer of Bee2Bees SA
- Member of the Executive Committee of Fondation pour les Monuments Historiques

Chief executive officer and director

Mr Karel De Boeck

64 years old
- Chairman of the Management Board of Dexia SA
- Chief Executive Officer of Dexia SA
- Chairman of the Board of Directors of Dexia Asset Management Luxembourg S.A. (until 3 February 2014)
- Manager of White Art Centre CVBA
- Chairman of the Board of Directors of Allegro Investment Fund NV
- Chairman of the Board of Directors of Boek.be VZW
- Director of ASWEBO NV
- Director of Lamifil NV
- Member of the Supervisory Board of Willemen Groep NV

Executive vice-presidents and directors

Mr Alain Clot (Director and Executive Vice-President until 31 December 2013)

- 57 years old
- Member of the Dexia SA Group Committee (until 31 December 2013)
- Permanent representative of Dexia Crédit Local, member of SOFCA-GIE (until 30 September 2013)
- Chairman of the Board of Directors of Sofaxis (until 30 September 2013)
- Permanent representative of Dexia Crédit Local and member of the Supervisory Board of Dexia Municipal Agency (until 31 January 2013)
- Permanent representative of Dexia Crédit Local and Director of Dexia CLF Banque
- Permanent representative of Dexia Crédit Local and Director of Société d'Exploitation de la Tour Eiffel (SETE) (from 1 February 2013 until 31 March 2014)

Mr Claude Piret

- 62 years old
- Member of the Management Board of Dexia SA
- Director of Dexia Participation Belgique SA (until 28 March 2013)
- Director and Chairman of the Board of Directors of Dexia Sabadell
- Non-Executive Director of Clinique Saint-Pierre
- Chairman of the Supervisory Board of Dexia Kommunalbank Deutchland AG
- Director of Dexia Crediop
- Vice-Chairman of the Board of Directors of Dexia Crediop (since 18 January 2013)

Mr Philippe Rucheton (Director and Executive Vice-President until 31 December 2013)

- 65 years old
- Member of the Management Board of Dexia SA (until 31 March 2014)
- Director of Dexia SA (until 31 December 2013)
- Director of Dexia Crediop
- Chairman of the Supervisory Board of Dexia Municipal Agency (until 31 January 2013)
- Director of Dexia Asset Management Luxembourg S.A. (until 3 February 2014)
- Director and Chairman of the Board of Directors of Dexia Holdings, Inc. (until 31 March 2014)
- Director of Dexia FP Holdings, Inc. (until 31 March 2014)
- Director of Dexia Financial Products Services LLC (until 31 March 2014)
- Director of FSA Asset Management LLC (until 31 March 2014)
- Director of FSA Capital Markets Services LLC (until 31 March 2014)
- Director of FSA Capital Management Services LLC (until 31 March 2014)
- Director of Dexia Participation Belgique SA (until 28 March 2013)
- Permanent representative of Dexia SA, Director of Dexiarail
- Permanent representative of Dexia SA, Director of DCL Investissements
- Director of Bernard Controls SA

Members of the board of directors

Fédération Nationale des Travaux Publics represented by Mr Patrick Bernasconi (until 6 August 2013) and Mr Patrick Bernasconi in his own name (since 6 August 2013)

58 years old
• Chairman of Fédération Nationale des Travaux Publics (until 18 September 2013)
• Chairman of Bernasconi TP
• Chairman of Science et Industrie (until 17 October 2013)
• Chairman of the Board of Directors and Chief Executive Officer of L'Immobilière des Travaux Publics
• Director of SMAVIE BTP
• Permanent representative of Fédération Nationale des Travaux Publics and member of the Supervisory Board of BTP Banque
• Permanent representative of Fédération Nationale des Travaux Publics and Vice-Chairman of SMA BTP
• Joint statutory manager of SCI Bernasconi Frères
• Managing Partner of Casa Déco
• Director of Château des Deux Rives
• Chairman of the Board of Directors (until 30 June 2013), then Vice-Chairman of the Board of Directors (since 1 July 2013) of SGAM BTP
• Chairman of the Supervisory Board of Société Anonyme Générale d'Assurances (SAGENA) (since 1 July 2013)

Fédération Française du Bâtiment represented by Didier Ridoret (until 15 January 2013)

62 years old
• Chairman of Fédération Française du Bâtiment
• Joint statutory manager of Elibois SARL
• Joint statutory manager of France Menuisiers SARL
• Joint statutory manager of Menuseries Niortaises SARL
• Chief Executive Officer of Ridoret Menuiserie SA
• Joint statutory manager of Roche Alu SARL
• Joint statutory manager of Ridoret Distribution
• Joint statutory manager of Roche PVC SARL
• Chief Executive Officer of SAG SAS
• Joint statutory manager of Pont de la Reine SCI
• Vice-Chairman of the Supervisory Board of BTP Banque SA
• Permanent representative of Fédération Française du Bâtiment and Director and member of the Steering Committee of Union des caisses de France du réseau Congés intempérie du BTP
• Permanent representative of Fédération Française du Bâtiment and non-voting board member of ECOFI Investissements SA
• Permanent representative of Fédération Française du Bâtiment and Vice-Chairman of SMA BTP
• Permanent representative of Fédération Française du Bâtiment and Vice-Chairman of SMAVIE BTP
• Joint statutory manager of DIFRAHEL
• Chairman of the Board of Directors of SICAV BTP Obligations
• Non-voting board member of SICAV BTP Associations
• Non-voting board member of SICAV BTP Rendements
• Director and Chairman of the Board of Directors (since July 2013) of Société de Groupe d'Assurance Mutuelle du Bâtiment et des Travaux Publics (SGAM BTP)
• Chairman of the Supervisory Board of Caisse de Garantie Immobilière du Bâtiment (CGI Bâtiment)
• Chairman of the Supervisory Board of Société Anonyme Générale d'Assurances (SAGENA) (until 30 June 2013)

Mr Paul Bodart (since 19 March 2013)

61 years old
• Chairman of the Board of Directors of La Compagnie des Sept Bonniers SA
• Member of the European Central Bank's T2S Board

Mr Bart Bronselaer (since 19 March 2013)

46 years old
• Chairman of the Board of Directors of Royal Park Investments SA (until 31 December 2013)
• Executive Director of Brier Business Development BVBA
• Director of Sheng NV
• Director of Baj Czernikowice SP .Z.O.O
• Director of Baj LUBO2 SP .Z.O.O
• Director of Private Stichting: Le Bois Clair
• Director of Private Stichting: GH. Piot
• Director of MKBH Projectonwikkeling BVBA (since 25 January 2013)
• Director of MKBH BVBA (since 25 January 2013)
• Director of BAJ Buzcyna SP .Z.O.O
• Director of PMC-Group SP .Z.O.O
• Director of Finilek (since 19 March 2013)
• Director of Katholiek Onderwijs Kessel-Lo VZW (since 27 March 2013)
• Director of Abbaye d'Oignies VZW

Mr Jean-Pierre Brunel (until 6 August 2013)

70 years old
• Statutory manager of Tradanimes

Mrs Delphine de Chaisemartin (from 24 September 2012 to 14 January 2013)

43 years old
• Société de Financement Local (since 31 January 2013)
• Director of Bpifrance Financement (since 12 July 2013)
• Director of Banque Postale Collectivités Locales (since 23 April 2013)
• Director of SOFIRED
• Director of France Brevet (since 17 December 2013)

Mr Alexandre De Geest (since 19 March 2013)

43 years old
• Director of Fonds de Vieillissement
• Director of SFP Finances

Mrs Delphine de Sahuguet d'Amarzit (since 19 March 2013)

40 years old
• Director of Agence Française de Développement (until 7 June 2013)
• Director (State representateive) of BPI-Groupe (SA) (since 18 February 2013)
• Director (State representative) of BPI-Groupe (EPIC) (since 15 July 2013)

Mr Thierry Francq (since 19 March 2013)

49 years old
• Member of the Audit Committee of EIB

Mr Koenraad Van Loo

41 years old
- Director of Dexia SA
- Chief Executive Officer of the Federal Holding and Investment Company
- Director of Zephyr FIN (until 28 May 2013)
- Director of Certi-Fed
- Director of Bel to mundial ASBL
- Director of the Belgian Corporation for International Investment
- Director of Capricorn Health Tech Fund
- Director of Ginkgo Management Fund SARL
- Director of BILOBA Investment
- Director of Kasteel Cantecroy Beheer
- Director of Fundo Performa-Key de Inovaçâo em meio ambiente

Mrs Marleen Willekens (since 6 August 2013)

48 years old
- Director of Eco Fund
- Director of Equisafe
- Director of Master Fund
- Director of Select Immo
- Director of Optimum Fund
- Director of Equimax
- Director of Exposure
- Chief Executive Officer of Exetrain

Employee works council representatives

Mrs Isabelle Lourenço

Mr Philippe Keravel

2. Compensation and regulated agreements for Directors and Officers

Dexia Crédit Local's Directors and Officers presented in this section are the Chief Executive Officer and Executive Vice-Presidents on the one hand, and on the other, the company's Non-Executive Directors at 31 December 2013.

Karel De Boeck, Chief Executive Officer, and Claude Piret and Philippe Rucheton, Executive Vice-Presidents, do not receive any compensation from Dexia Crédit Local for their offices within the company. Indeed, they exclusively receive compensation from Dexia SA for their positions as members of its Management Board. Readers are therefore invited to refer to the compensation report in Dexia SA's annual report, available at www.dexia.com, for further information.
However, in accordance with Article L.225-102-1 paragraph 2 of the French Commercial Code, the compensation awarded to the directors and officers by other entities within the Group must also be indicated in this section.

2.1. Compensation for the Chief Executive Officer and Executive Vice-Presidents

Compensation is now based exclusively on a fixed element, with no performance conditions, and constitutes a whole from which, unless the Board of Directors decides otherwise on a proposal from the Appointment and Compensation Committee, a deduction is made of any director's fees or percentage paid by a Dexia Group company or by a third party company in which an office is held in the name and on behalf of Dexia.

As such, no variable compensation has been or will be awarded to the Chief Executive Officer and Executive Vice-Presidents in relation to 2013.

Moreover, in accordance with the undertakings made by the Dexia Group within the framework of the 2013 guarantee agreement concluded with the Belgian and French states and for so long as guaranteed bonds exist or are liable to be issued, and unless agreed with the States, no stock options, warrants or free shares or any elements of variable compensation, indemnities and benefits indexed to performance, or deferred compensation will be awarded to the following: Chairman of the Board of Directors, Executive Vice Presidents, Chief Executive Officer and members of the Board of Directors.

Dexia has voluntarily extended this restriction to include all the members of the Group Committee.

Compensation in respect of 2013

Fixed compensation may comprise basic compensation and a function premium paid quarterly.

Basic compensation in respect of 2013

Basic compensation is determined considering the nature and importance of the responsibilities assumed by each individual (and taking account of market references for positions of a comparable dimension).

Summary of basic compensation and other benefits

(in EUR)	Basic compensation paid in 2013	Representation fees	Car
Karel De Boeck	*600,000*	*6,324*	*/*
Claude Piret	*480,000*	*6,324*	*7,545*
Philippe Rucheton	*500,000*	*6,324*	*5,488*
Alain Clot	*500,000*	*/*	*4,962*

Retention bonus in respect of 2013

Summary of retention bonuses

(in EUR)	
Karel De Boeck	0
Philippe Rucheton	100,000
Claude Piret	96,000
Alain Clot	100,000

Deferred part of variable compensation for 2010 payable in 2013

We refer to pages 60 and following of the 2010 Annual Report for an explanation of the principles for the deferment of variable compensation for 2010.
The Board of Directors of Dexia SA has exercised the option to subsequently reduce the deferred parts of the variable compensation. The deferred part of the variable compensation for 2010 in cash and the deferred part of the variable compensation in the form of instruments with a one-year holding period (awarded in 2013 and payment in 2014) were not awarded in 2013.

Discretionary pensions

Amounts paid under these supplementary pension schemes and supplementary cover for death, permanent disability and medical costs

The supplementary pension schemes for Karel De Boeck, Philippe Rucheton and Claude Piret give a right, at the time of retirement, to capital built up through the capitalisation of annual contributions. These represent a fixed percentage of a capped annual fixed compensation.

Karel De Boeck

DISCRETIONARY SCHEMES	(in EUR)
Death, orphan capital	62,183.67
Disability	21,322.47
Hospitalisation	803.28
Pension	120,967.74

Philippe Rucheton

DISCRETIONARY SCHEMES	(in EUR)
Death, orphan capital	55,999.11
Disability	13,428.30
Hospitalisation	803.28
Pension	100 712,11

Claude Piret

DISCRETIONARY SCHEMES	(in EUR)
Death, orphan capital	43,402.97
Disability	16,748.24
Hospitalisation	1,204.92
Pension	96,774.19

Annual premiums of EUR 7,207.26 were paid in 2013 for Alain Clot for mandatory and supplementary cover for death, permanent disability and medical costs.

Option plan

During 2013, no options were exercised or awarded to the Chief Executive Officer and Executive Vice-Presidents.

Conditions relating to departure

Provisions relating to severance benefits in Dexia's compensation policy

In accordance with the Dexia Group's compensation policy, total severance benefits for executives may not exceed 12 months of their fixed and variable compensation. Under specific circumstances, the Appointment and Compensation Committee may, with its substantiated opinion, propose to the Board of Directors that severance benefits may be more than 12 months but less than 18 months of fixed and variable compensation. Severance benefits exceeding 18 months of fixed and variable compensation can only be agreed exceptionally with the approval of the first ordinary shareholder's meeting of Dexia SA's thereafter.
Moreover, the agreement providing for severance benefits to be awarded will contain a performance condition in the sense that the contractual severance benefits will be reduced in the case where the performance assessment of the executive over the two years preceding the termination of the agreement reveals a significant deterioration in those performances. This is to avoid severance benefits being awarded to reward failure. These principles will be applied in accordance with the collective bargaining agreements and legal provisions.
Any severance benefits agreement entered into with an executive since the Dexia Group compensation policy came into force, as adopted in 2011, will respect these provisions.
If applicable, Dexia will review its compensation policy in order to ensure its compliance with future laws and regulations.

Provisions relating to severance benefits contained in management agreements

Karel De Boeck will be entitled, if his contract is terminated by Dexia on grounds other than gross misconduct, to a single lump sum payment equal to three months' compensation. Should Mr De Boeck wish to terminate his contract under the same conditions, he is required to give Dexia three months' advance notice.
If either party to the contract between Claude Piret and Dexia wishes to terminate that contract in mid-term for any reason other than a serious breach of contract by the other party, the terminating party will be required to provide one month's advance notice.

Provisions relating to severance benefits contained in employment contracts for the Chief Executive Officer and Executive Vice-Presidents

Termination of Mr Claude Piret's employment contract (the execution of which has been suspended since 1 January 2007 during his term of office with the Management Board) is governed by Belgian legislation relating to employment contracts. His employment contract stipulates moreover that he will be entitled, except as provided by any mandatory legal provisions, if his employment contract is terminated by Dexia before he reaches the age of 65, to a benefit payment equal to the fixed and variable compensation and other benefits corresponding to a 24 month period.

At its meeting on 13 December 2013, the Board of Directors noted the resignations of Mr Alain Clot and Mr Philippe Rucheton from their positions as directors of Dexia Crédit Local, with effect from 31 December 2013. Mr Alain Clot has received severance benefits equal to 12 months of his fixed compensation, in addition to a three-month notice period that he was not required to serve. Mr Philippe Rucheton will leave the Dexia Group on 31 March 2014 without any severance benefits.

2.2. Compensation for directors

Board members (in EUR)	**Directors' fees paid in respect of 2012**	**Directors' fees paid in respect of 2013**
Patrick Bernasconi	/	4,500(1)
Paul Bodart	/	9,450(2)(3)(4)
Bart Bronselaer	/	9,450(2)(3)(5)
Jean-Pierre Brunel	21,000(14)	10,500(6)(14)
Alain Clot	0	0
Delphine d'Amarzit	/	9,000(3)(7)
Karel De Boeck	0(8)	0
Delphine de Chaisemartin	12,000(9)	1,500(10)
Alexandre De Geest	/	9,450(2)(3)(11)
Robert de Metz	0	0(12)
Fédération Française du Bâtiment (permanent representative: Didier Ridoret)	15,000	3,000(13)
Fédération Nationale des Travaux Publics (permanent representative: Patrick Bernasconi)	19,500	9,000(14)(15)
Thierry Francq	/	12,000(3)(16)
Philippe Rucheton	0	0
Claude Piret	0	0
Koenraad Van Loo	11,250(2)(17)(18	10,500(2)(19)
Marleen Willekens	/	4,200(2)(20)

(1) Patrick Bernasconi was co-opted as a director in his own name by the Board of Directors on 6 August 2013.
(2) Net amount, after 30% withholding tax paid to the French Treasury (Articles 119 ii - 2 and 187 of the French General Tax Code).
(3) Appointed as a director by the shareholders' meeting on 19 March 2013.
(4) Dexia SA paid Paul Bodart a total of EUR 50,000 of gross compensation in 2013 for his position as a director of Dexia SA.
(5) Dexia SA paid Bart Bronselaer a total of EUR 54,000 of gross compensation in 2013 for his position as a director of Dexia SA.
(6) Jean-Pierre Brunel advised the Board of Directors of his resignation from his position as a director on 6 August 2013.
(7) The compensation relating to the directorship of Dexia SA, performed by Delphine d'Amarzit in 2013, representing a gross total of EUR 21,500, was paid by Dexia SA to the French Treasury. The attendance fees awarded to Delphine d'Amarzit for her position as a director of Dexia Crédit Local in 2013 were also paid by Dexia Crédit Local to the French Treasury. Indeed, under Article 139 of the French law on new economic regulations, directors' fees for offices performed by representatives of the French government are to be paid to the French government.
(8) In 2012, Dexia SA paid Karel De Boeck a total of EUR 15,667.32 of gross compensation for his position as a non-executive director until 1 August 2012.
(9) Delphine de Chaisemartin was co-opted as a director by the Board of Directors on 24 September 2012.
(10) Delphine de Chaisemartin advised the Board of Directors of her resignation from her position as a director on 14 January 2013.
(11) Dexia SA paid Alexandre De Geest a total of EUR 34,000 of gross compensation in 2013 for his position as a director of Dexia SA.
(12) Dexia SA paid Robert de Metz a gross total of EUR 250,000 of fixed annual compensation in 2013 for his position as Chairman of the Board of Directors.
(13) Fédération Française du Bâtiment advised the Board of Directors of its resignation from its position as a director on 15 January 2013, following the Board of Directors' meeting.
(14) Includes amount paid for participating in the Audit Committee.
(15) FNTP advised the Board of Directors of its resignation from its position as a director on 6 August 2013.
(16) The compensation relating to the directorship of Dexia SA, performed by Thierry Francq in 2013, representing a gross total of EUR 37,500, was paid by Dexia SA to the French Treasury. The attendance fees awarded to Thierry Francq for his position as a director of Dexia Crédit Local in 2013 were also paid by Dexia Crédit Local to the French Treasury. Indeed, under Article 139 of the French law on new economic regulations, directors' fees for offices performed by representatives of the French government are to be paid to the French government.
(17) Dexia SA paid Koenraad Van Loo a total of EUR 72,000 of gross compensation in 2012 for his positions with Dexia SA.
(18) Koenraad Van Loo was appointed as a director of Dexia Crédit Local on 10 May 2012.
(19) Dexia SA paid Koenraad Van Loo a total of EUR 54,000 of compensation in 2013 for his positions with Dexia SA.
(20) Marleen Willekens was co-opted as a director in her own name by the Board of Directors on 6 August 2013.

Corporate governance and internal control

Report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the French Commercial Code

This report describes the principles and procedures in force during the 2013 fiscal year.

For the preparation of the present report, as a credit institution, Dexia Crédit Local refers to French Banking Regulatory Committee (CRBF) Regulation 97-02, as modified by the decrees of 31 March 2005, 17 June 2005, 20 February and 2 July 2007, 11 September 2008, 14 January 2009, 5 May 2009, the two decrees of 29 October 2009, the decrees of 3 November 2009, 19 January 2010, 25 August 2010, 13 December 2010 and the decree of 2 May 2013 which defines the aims, principles and procedures of internal controls, and to the reference framework published by the French Financial Markets Authority (AMF).

The present report, established by the Chairman of the Board of Directors of Dexia Crédit Local, was prepared by the General Secretary and the Internal Audit department, which gathered the appropriate information from all of the operating and support departments concerned, and notably the Risk Management department.

This report also takes account of the meetings between the Chairman of the Board of Directors and the Chairman of the Management Board, as well as the summaries of all Audit Committee meetings.

1. Preparation and organisation of the duties of the Board of Directors

In terms of corporate governance, Dexia Crédit Local notably refers to the provisions of its parent company (Dexia SA) and certain principles from the AFEP-MEDEF corporate governance code. This is also true of the functioning of the Board of Directors and its specialist committees.

1.1 Board of Directors

The Board of Directors is responsible for establishing and ensuring the implementation of the operational guidelines of Dexia Crédit Local. It acts out of concern for the Company, including its shareholders, customers and employees. There are no potential conflicts of interest between the duties of the members of the Board of Directors with respect to Dexia Crédit Local and their personal interests or other duties.

On 1 March 2014, the Board of Directors was composed of 12 members, selected for their expertise and the contribution that they can make to the administration of the Company. Robert de Metz has served as Chairman of the Board of Directors since 10 October 2012. He organises and directs the activities of the board, oversees the proper functioning of the corporate governance bodies of Dexia Crédit Local and participates in the Company's dealings with institutional authorities. The function of Chief Executive Officer, which is dissociated from the chairmanship, has been entrusted to Karel De Boeck, who was appointed as Chief Executive Officer by the Board of Directors on 10 October 2012. Since his appointment, Karel De Boeck has been assisted in his functions by three Executive Vice-Presidents Claude Piret, Philippe Rucheton and Alain Clot. The Board of Directors meeting of 13 December 2013 noted the resignation of Philippe Rucheton and Alain de Clot from their positions as directors and Executive Vice-Presidents of Dexia Crédit Local with effect from 31 December 2013. The Board of Directors also coopted Pierre Vergnes as a director of Dexia Crédit Local and Executive Vice-President, replacing Philippe Rucheton from 1 January 2014.

The Chief Executive Officer has the broadest powers to act under all circumstances in the name of Dexia Crédit Local, which he represents in its dealings with third parties. The by-laws do not limit the powers of the Chief Executive Officer, who acts in accordance with all applicable laws and regulations, the Company's by-laws and the guidelines established by the Board of Directors.

In accordance with Article L.225-56, II, paragraph 2 of the French Commercial Code, the Executive Vice-Presidents, namely Pierre Vergnes and Claude Piret, have from 1 January 2014 the same powers as the Chief Executive Officer with regard to third parties.

Following the changes made by the Board of Directors meetings of 20 March 2013, 6 August 2013 and 13 December 2013, and in accordance with the commitments taken by the Belgian and French governments with the European Commission as part of its validation of the revised orderly resolution plan, the Board of Directors of Dexia Crédit Local has nine members in common with the Board of Directors of Dexia SA; it also has two "disinterested" directors within the meaning of French legislation. No non-voting members have been appointed. Consequently, on 1 March 2014, the Board of Directors of Dexia Crédit Local was composed as follows:

- Robert de Metz, Chairman, director;
- Karel De Boeck, Chief Executive Officer;
- Delphine d'Amarzit, director;
- Patrick Bernasconi, disinterested director;
- Paul Bodart, director;
- Bart Bronselaer, director;
- Alexandre De Geest, director;
- Thierry Francq, director;
- Claude Piret, Executive Vice-President;
- Koen Van Loo, director;
- Pierre Vergnes, Executive Vice-President;
- Marleen Willekens, disinterested director.

Members of the Board of Directors are required to comply with internal regulations defining their responsibilities; this charter was drawn up in accordance with the principles embodied in Dexia Crédit Local's code of ethics.

These internal regulations – which are available for viewing in the Company's registered office – remind members notably how important it is that they participate actively in the board's work. The charter also specifies that members of the Board of Directors are considered to be persons who play sensitive roles, and therefore are subject to the strictest requirements with regard to the trading of Dexia shares. All transactions must be signalled in advance to the Chief Compliance Officer of Dexia Crédit Local, and receive his prior approval.

The Board of Directors meets at least once a quarter. In 2013, it met ten times. The attendance rate was 82.6%.

The Chairman of the Board of Directors and the Chief Executive Officer provide the members of the Board of Directors with all information – strategic information in particular – that they require to correctly perform their duties. Prior to each meeting, the members of the Board of Directors are provided with an agenda and all reports and documents relating to items appearing on the agenda.

All appointments to the Board of Directors are made in compliance with the prevailing legislation and the terms of the Company's by-laws. At each quarterly board meeting, the Chief Executive Officer presents the activity and the financial statements for the preceding period. The board also reviews the work of the Audit Committee, internal controls and risk monitoring on an ongoing basis.

In 2013, in addition to issues relating to the management of the Company and within its authority, the Board of Directors notably addressed the liquidity and capital situations of the company and the change in its governance. During its meeting of 15 January 2013, the Board of Directors noted the approval by the European Commission of Dexia's revised orderly resolution plan and approved the sale of SFIL. During 2013, the Board of Directors approved various disposals of operating entities of the Group such as Sofaxis S.A. and Domiserve.

After deliberation on 9 October 2013, the Board of Directors decided to make an annual voluntary contribution to the support fund for French local governments having obtained structured loans.

The board convened two Shareholders' Meetings: the Ordinary Shareholders' Meeting of 19 March 2013 at which new directors were appointed in order to align the Board of Directors of Dexia Crédit Local with that of Dexia SA, and the Combined Shareholders' Meeting of 7 May 2013 to approve the financial statements.

All information regarding compensation and benefits paid to directors and officers of the Company can be found in the "Terms of office and compensation paid to directors and officers" section of the management report.

During its meeting of 6 August 2013, the board appointed Marleen Willekens as director. This appointment allowed the board to increase its percentage of female members in accordance with the provisions of law no. 2011-103 of 27 January 2011 relative to the balanced representation of women and men within boards of directors and supervisory boards and to professional equality. However, the board is currently unable to fulfil the legal obligations that will apply to it from 1 January 2020 since, to ensure compliance with the requirements set out by the European Commission when validating Dexia's revised orderly resolution plan, the make-up of Dexia Crédit Local's Board of Directors must be similar to that of Dexia SA, to the fullest extent permitted by law.

1.2. Specialist committees of the Board of Directors

The Board of Directors may create specialist committees, comprising between two and five members of the Board of Directors, including a Chairman. Committee meetings may be held in the absence of the Chairman of the Board of Directors. The Chairman of each specialist committee presents a report on its actions to the Board of Directors.

1.2.1. Audit Committee

During its meeting on 20 March 2013, the Board of Directors approved the creation of a single Audit Committee for Dexia Crédit Local and Dexia SA, in accordance with Article L.823-20 of the French Commercial Code.

The audit committee thus met five times in 2013 and dealt in particular with the following matters:
- Group financial statements;
- Group's liquidity position;
- Risk position through the Quarterly Risk Report;
- Actions to desensitise structured loans in France;
- Permanent Control, Internal Audit and Compliance work;
- Situation in terms of legal risks;
- Conclusions from missions by the banking supervisory authorities.

The individual attendance rate for directors at the meetings of the audit committee was 100% in 2013.

The audit committee is made up of four non-executive directors, including two independent directors, in accordance with Belgian law. Its members are as follows:
- Paul Bodart, independent director and chairman of the audit committee;
- Bart Bronselaer, independent director;
- Koen Van Loo;
- Thierry Francq.

The audit committee examines the Group's draft annual, half-year and quarterly statutory and consolidated financial statements, which must then be presented, approved and published by the Board of Directors.

It examines all matters relating to those accounts and to the financial reports and in particular, from the documents submitted to it, checks the conditions for their preparation, the choice of accounting principles, the provisions, 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 committee advises the Board of Directors on financial communication of the quarterly results and on delicate and sensitive matters which may have a significant impact on the accounts.

The committee's mission also includes supervising the performance of the internal control system put in place by the Management Board and the system for managing the risks which the entire Group is exposed to in carrying out its activities. From this point of view, the committee ensures the performance and independence of operations of the Internal Audit and Compliance departments. The committee also examines the reports on the Group's legal risks presented by the Head of the General Secretary department.

The audit committee meets at least four times per year. Each meeting must take place before the meeting of the Board of Directors which analyses and approves the accounts. The committee may meet at any time on the request of one of its members.

The audit committee's remit and operations are described in the Board of Directors' internal rules.
The audit committee may if necessary ask for assistance from an expert.

1.2.2 Appointment and Compensation Committee

As the Appointments and Compensation Committee of Dexia SA acts for the whole Group, no compensation committee has been established within Dexia Crédit Local.

2. Internal control

2.1. Organisation of the internal control function

2.1.1. Role of the internal control function and general architecture of the internal control process

a. Role of the internal control function

Like all credit institutions, the Dexia Crédit Local Group(1) is subject to the oversight of the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR). The objectives and organisation of its internal control function are defined by the French Monetary and Financial Code and CRBF Regulation 97-02 as amended (compliance with which is verified regularly by the Internal Audit department), and by the laws and regulations of the various countries in which Dexia Crédit Local conducts business.

The internal control mechanism provided for by CRBF Regulation 97-02 as amended states that several control processes should be established to ensure notably:
- compliance of transactions and internal procedures;
- accuracy and reliability of accounting and financial information;
- security of information systems;
- effectiveness of systems used to measure and monitor risks and results;
- control of all critical or important outsourced activities.

More specifically, the roles assigned to the internal control function in place within Dexia Crédit Local are designed to:
- verify the effectiveness of the risk management process.

The internal control function is designed to provide the Management Board with a guarantee that the risks assumed by the Group are compatible with the policy established by the Board of Directors and the Management Board, and with the level of risk accepted;
- ensure that the accounting and financial information produced is accurate and relevant.

The main purpose of the financial information is to present a true and fair view of the financial situation of Dexia Crédit Local in a consistent, exhaustive and transparent fashion. The internal control system is focused on achieving this objective;
- ensure compliance with all regulations and rules concerning ethics and compliance, both internal and external.

The proper functioning of Dexia Crédit Local and of its subsidiaries requires the strict observance of all legislative and regulatory requirements in each of the countries in which the Group is present, and of all internal standards that have been established in addition to these obligations, particularly in matters concerning corporate governance, compliance and sustainable development. The internal control system aims at ensuring that these principles are observed;
- improve the functioning of Dexia Crédit Local by ensuring an effective management of all available resources.

The decisions taken by the Management Board for that purpose must be able to be put in practice quickly. The internal control procedures ensure the integrity of information flows, the compliance of the initiatives set in place and the verification of all results;
- ensure the effectiveness and operational efficiency of all of the business lines.

The proper functioning of operational processes is of constant concern at all levels of the decision-making process. Many initiatives have been taken toward this goal, in constant collaboration with the business line and support entities that also measure these initiatives using indicators and regular reports.
Dexia Crédit Local has established a body of procedures and controls as part of the organisation of the internal control system designed to improve the bank's compliance with all regulations and capital adequacy policies, while ensuring that available resources are managed effectively. The internal control process provides reasonable assurance that the objectives described above will be achieved.
It should be mentioned that this system, like any control system, cannot be considered an absolute guarantee that the Company will achieve its objectives.

(1) For Dexia Group as for Dexia Crédit Local Group, the « Group » notion used in this report covers the mother-company and consolidated companies as a whole

b. Architecture of the internal control system

The general architecture of the internal control system is based on a series of basic principles, which are adapted to all of the business lines and support functions. Dexia Crédit Local's internal control system is based on activities incorporated into all operating, support, management, accounting and other processes, which the Group's management is responsible for monitoring continuously, with successive levels of control.
There is, moreover, a clear segregation of functions designed to maintain and ensure a clear distinction between those operators who initiate actions or transactions and those responsible for their validation, control and settlement.

As part of this strategy, the general architecture of Dexia Crédit Local's internal control system is based on an organisation divided into three levels:
• the first level of control is performed by each employee and his superiors, in accordance with responsibilities that have been expressly delegated to him, procedures applicable to the activity he performs, and with instructions provided to him;
• The second level of control is for specialist functions, independent of the activities controlled and reporting directly to the Management Board. This second level may also be the responsibility of specialist committees composed of staff from operating, support and control functions, and chaired by a member of the Management Board, such as Compliance and Risk Management;
• the third level of control is performed by the Dexia Group internal audit support line, which is responsible for continuously ensuring the efficient and effective performance of both of the levels of control defined above, within the parent company and all of its subsidiaries and branches.

c. Internal control functions

Based on the internal control architecture outlined in the preceding section, Dexia Crédit Local has established functions that are segregated and adapted to the specific characteristics of each entity:

Permanent control, excluding compliance

This control function is responsible for verifying that the Risk Management system set in place is sound and effective, and guarantees the quality of all accounting and financial information and the quality of the Group's information systems.
The organisation of the permanent control function (excluding compliance) is discussed in detail in Section 2.1.7 below.

Compliance control

This control function ensures that all regulations specific to the activities of credit institutions are continuously applied and that the Company runs no risk of administrative, disciplinary, financial or reputational sanctions due to their absence or non-application.
The organisation of the compliance control function is discussed in detail in Section 2.1.8 below.

Periodic control, or internal audit

This control function, carried out by the Internal Audit department of Dexia Crédit Local, in close cooperation with the internal audit support line the Dexia Group, is responsible for monitoring the efficient and effective application of controls in the parent company and all its subsidiaries and branches.
The organisation of the internal audit function is discussed in detail in Section 2.1.9 below.

Internal reference documents

To ensure that everyone participating in the internal control system has access to the same relevant information and instructions, the Dexia Crédit Local Group has compiled a standard reference system of instructions. These reference documents can be divided into four major categories:
• charters have been drafted for each business line or activity, detailing the objectives and reference policies that the Group has established and creating a conceptual framework for the organisation and running of the area concerned. Two examples are the Internal Audit and Compliance charters that have been set in place by the Dexia Group;
• codes provide a set of rules of conduct, or best practices to be observed by all employees in each activity, regardless of their direct and functional reporting lines. The code of ethics and deontology is provided to all employees at the Head Office and in the subsidiaries and branches, and is accessible to all staff via the Compliance section of the Group intranet;
• rules of conduct – also called directives – are the first-level operating impact of these charters and codes. They spell out the practical implications of the quality standards that have been set, define limits and organise the system whereby authority is delegated. In this manner, the rules of conduct established by Dexia Group Risk Management specify how all counterparty credit limits are to be determined throughout the Dexia Crédit Local Group;
• procedures define in compliance with all relevant charters, codes and directives, the organisation, tasks and monitoring necessary for the performance of a given activity. Each employee must have access within his or her department or area to a procedure manual covering his or her function. Similarly, service contracts allow two departments or two Dexia Group entities with a customer-supplier relationship to formalise this by establishing the level of service expected.

2.1.2. Executive management and the Management Board

The Chief Executive Officer has ultimate responsibility for guaranteeing that the bank's internal controls function properly. He defines and coordinates the internal control policies of the Dexia Crédit Local Group. He also allocates resources and establishes deadlines for implementation of the actions that have been decided upon with respect to these policies. He verifies that the objectives that have been set are achieved, and that the internal control system meets all requirements. Lastly, it adjusts these requirements in relation to the internal and external developments observed.

To perform this assignment, the Chief Executive Officer was assisted, in 2013, by three Executive Vice-Presidents, who, along with the members of the management team, are continuously involved in the internal control system through their operating functions, their participation in various supervisory committees and the audit and other reports with which they are systematically provided. Since 1 January 2014, the Chief Executive Officer has been assisted by two Executive Vice-Presidents.

The Chief Executive Officer of Dexia Crédit Local is the Chairman of Dexia SA's Management Board. In coordination with the Executive Vice-Presidents, who are also members of Dexia SA's Management Board, he is responsible for the oversight of all of Dexia Crédit Local's domestic and international subsidiaries and branches. This Group structure improves coordination between Dexia SA and Dexia Crédit Local, and increases the authority of the Chief Executive Officer over all the entities that report to Dexia Crédit Local, which contributes to greater control over the entire scope of Dexia Crédit Local and to an optimised internal control function.

2.1.3. The operational management teams

The heads of the operating departments are responsible for the adaptation and smooth running of internal control procedures within their areas of activity, analysing the risk on each transaction they initiate, and for verifying that such transactions are in compliance with the internal control procedures in their departments. In the event that a change in the internal or external conditions under which they work should affect internal control, they must propose or implement – depending upon their level of responsibility – any changes required in order to maintain Risk Management at the desired level.

2.1.4. Risk management department

The aim of the risk support line is to define the Group's strategy in terms of risk monitoring and management and to establish independent and integrated risk metrics. It identifies and manages the risks, signals all such risks to the relevant committees in a proactive manner, and where necessary proposes corrective measures. The risk support line also decides on the amount of provisions required.

The organisation of Dexia Crédit Local's risk support line is aligned with that of Dexia SA. This organisation changed during 2013 to adapt it to the Dexia Group's new structure. The risk support line covers four departments: the Credit Risk Department, the Market Risk Department, the Operational Risk and Permanent Control Department and the Risk Reporting, Metrics and Quantification Department, which also covers all of the support line's support functions.

The company project initiated by Dexia in 2013 aims to refocus the Risk division around its control functions. The division's organisation and governance will therefore change during the coming period. Similarly, the various committees, described below, in which the management of various risks is carried out by the division, will be redefined in order to increase efficiency under the company project. This project is detailed on pages 9 to 10 in the chapter "Company project" of this registration document.

The organisation and governance presented below correspond to the structure in place during 2013.
Dexia Crédit Local's Chief Risk Officer, who is also Chief Risk Officer for Dexia SA, is a member of the Group Committee, which brings together the heads of the main support lines led by the Management Board. The Chief Risk Officer reports to the member of Dexia's Management Board and Dexia Crédit Local's Executive Vice-President in charge of risks. The Chief Risk Officer has no reporting relationship with the other units, and carries out his assignments free from any intervention by the operating support lines. However, since 1 January 2014, the Chief Risk Officer of Dexia Crédit Local has been a member of the Management Board of Dexia Crédit Local and of Dexia SA and reports to the Chief Executive Officer of Dexia SA and Dexia Crédit Local.

All of the CROs in Dexia Crédit Local's foreign and French subsidiaries and branches report directly to the Chief Risk Officer of Dexia Crédit Local, who also oversees the credit committees in all of the Group's largest locations.

2.1.5. The committees

a. General risk governance

Given the changes in the Group's scope, the organisation and governance of the support line saw significant changes in 2013.

Governance of the Risk support line is built around the Risk Committee, which is made up of the members of the Management Board. This committee has decision-making power for all transactions made by the Group, according to the credit risk, liquidity risk, the impact on the results or on the level of equity capital that they represent. This committee is also responsible for the various policies and directives which define the Group's strategy. To facilitate the Group's operational performance, the committee can grant delegations of authority.

b. Credit risk management

Credit risk management is organised around the Risk Committee, which approves the risk policies for the entire Group and decides on the most significant transactions in terms of credit risk. The Risk Committee delegates part of its decision-making authority to the credit committee. This delegation is governed by specific rules, by type of counterparty, on the basis of their level of rating and the amount of the consolidated exposure.

The Risk Committee is the decision-making body of last resort for all credit proposals involving very large amounts or high-risk credits. Each proposal submitted to a credit committee includes an independent analysis presenting the main risk indicators and a qualitative analysis of the transaction.

Alongside this, various quarterly committees are responsible for monitoring specific risks;

- The Watch-list Committee, which monitors assets considered to be "sensitive" that have been placed on watch, which determines the amount of reserves to set aside;
- The Default Committee, which designates and monitors all counterparties in default in accordance with the regulatory framework, employing the prevailing rules applied by Dexia;
- The Impairment Committee monitors the cost of risk;
- The Ratings Committee ensures that the internal credit rating system is applied correctly and that the rating process is compliant with the principles that have been established and that the same process is applied by all of the various entities.

In each of the subsidiaries and branches of the Dexia Group, the Credit Risk Management departments focus on their own domestic markets and are responsible for analysing and monitoring local counterparties.

c. Market risk management

Market risk policy and management is carried out by the Risk Committee and the Executive Committee of the Risk division. To facilitate the Group's operational management, a system of delegation has been implemented within the Group.

The Market Risk Committee is in charge of risk-related governance and standards. It defines the risk limits which form the general framework of the Group's policy. It meets on a monthly basis.

A Valuation and Collateral Market Risk Committee meets each quarter to analyse indicators relating to the management of collateral (i.e. securities placed as collateral for derivative transactions) and to ensure the monitoring of valuations of structured products.

d. Balance sheet risk management

Asset and Liability Management (ALM) risks are managed through Dexia Crédit Local's Assets and Liabilities Committee (ALCo), which has been merged with Dexia's ALCo committee, which meets on a quarterly basis. The ALCo committee establishes the overall framework for risk, sets limits, guarantees the consistency of the strategy and delegates its execution to the local ALCo committees. The ALCo committee also decides on the overall level of exposure, in line with the Management Board's decisions. The local ALCo committees manage the specific risks for their balance sheets within the framework defined by and under the responsibility of the Group ALCo committee.

Dexia's ALCo committee delegates part of its powers to the Funding and Liquidity Committee (FLC) which meets every week. This committee centralises and coordinates the decision-making process for all liquidity-related issues. It is in charge of monitoring the Group's liquidity position, monitoring any changes and ensuring that all needs are covered by short-, medium- and long-term resources. It ensures the attainment of the liquidity targets set by the Management Board and helps develop funding and divestiture strategies.

e. Operational risk management

The Management Board and the Risk Committee, which decide on the policy for the whole Group, regularly monitor the changes in the risk profile of the Group's different activities. To facilitate the operational management of risk monitoring, a system of delegation has been implemented.

The quarterly Operational Risk Approval Committee examines the main risks identified, decides whether or not they are acceptable and which corrective actions to implement. It validates the proposed preventive or improvement measures in relation to the various components of the process. It is chaired by the Chief Risk Officer, who is a member of the Management Board.

The Business Continuity and IT Security Committees, which meet every two months, review and decide on actions to be taken to ensure business continuity, in addition to putting in place the IT security policy.

2.1.6. Control of subsidiaries and branches

The Dexia Group employs several tools to monitor and verify the operations of its subsidiaries and branches, depending upon their degree of autonomy from the parent company. French subsidiaries that have been created to house a specific activity (special-purpose entities, or filiales outils) depend on the services provided by Head Office departments, and are included within the scope of the latter's internal control system. Control is therefore quite well integrated. This is the case, for example, for leasing companies.

Foreign branches and subsidiaries have their own staff and engage in a range of activities, as appropriate to their local market. Depending on their size, they rely to a greater or lesser extent on the services provided by the Head Office departments. Like the French subsidiaries, foreign subsidiaries and branches have set up internal control systems that are adapted to their size, their activities and the specificities of their local market.

The Risk Management and permanent control, compliance and internal audit functions are all overseen directly by the appropriate departments of the Head Office of Dexia Crédit Local, with a specific organisation for each support line. Specifically, under the new organisation of the risk support line set in place at the end of 2009, the Chief Risk Officer of each subsidiary and branch reports directly to the CRO of Dexia Crédit Local.

For all entities, control is based on a system of delegation of authority and regular reviews provided to the appropriate departments at Head Office (Risk, Finance, Legal, Compliance and Audit) and the Management Board of Dexia Crédit Local, and the participation of the members of the Management Board in the various administrative and decision-making bodies within each subsidiary.

2.1.7. Permanent control, excluding compliance

The Operational Risk Manager of Dexia Crédit Local has oversight over all permanent controls other than compliance.

Consolidated oversight of the permanent control function is based on the use of decentralised risk measurement and monitoring teams within the Head Office departments, subsidiaries and branches, and on the use of permanent control committees to perform monitoring on a consolidated basis.
Second-level controls are performed within the Operational Risk and Permanent Control department by the unit responsible for the oversight and reporting of these controls. This unit works in synergy with the Operational Risk Management and IT security functions to guarantee consistency of the various levels of control.

The architecture of this control is organised in accordance with the first two levels of the architecture presented in Section 2.1.1.b of this report.

Permanent controls are based on a control plan whose results are reported to the Management Board of Dexia Crédit Local every quarter. These controls cover the primary processes involved in the bank's operations, and were selected in collaboration with the operating departments. The aptness of this selection is reviewed annually in a process that involves the challenging of the control plan. They incorporate both business process mapping and the mapping of risks and controls implemented for operational risk management purposes. When setting up their permanent control systems, the subsidiaries and branches have taken into account all applicable laws and regulations in the countries in which they operate as well their own organisation and size.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

The execution of the permanent control plan defined is monitored by the Operational Risk department, which ensures the consistency and the independence of the controls by establishing functional reporting relationships with the decentralised units within the Head Office departments, subsidiaries and branches. This department prepares the general management report. The department may request justified explanations of any malfunctions observed.

From 1 April 2014, Permanent Control will be part of the Compliance Department which will be renamed Permanent Control and Compliance Department.

2.1.8. Compliance

Compliance monitoring is an integral part of the internal control systems of credit institutions and investment firms. Dexia Crédit Local's Compliance department ensures the consistency and effectiveness of non-compliance risk controls. Compliance is organised as a single support line, from the Holding Company of the Dexia Group all the way down to the foreign subsidiaries of Dexia Crédit Local. Compliance is an independent function, and reports functionally to the General Secretary of the Dexia Group.

At Dexia Crédit Local, the Chief Compliance Officer reports directly to the General Secretary and is given responsibility for compliance dealings with the Prudential Supervision and Resolution Authority. The Chief Compliance Officer also serves as the French Ministry of Finance's anti-money laundering (Tracfin) correspondent, as part of the bank's obligations in the fight against money laundering and the financing of terrorism. The Chief Compliance Officer is formally accredited by the French Financial Markets Authority (AMF) as Investment Services Control Manager (RCSI) for both Dexia Crédit Local and Dexia CLF Banque, both of which provide investment services.

With rare exceptions[(1)] each Dexia Crédit Local Group entity has its own Compliance Officer or compliance correspondent. Their role is to ensure that the Group's general integrity policy and the compliance charter are respected in each of the entities, to update the rules in response to changes in the local activities or environment (legal or economic) and to inform managers and employees and sensitise them to all local regulatory provisions and the compliance standards that have been defined for the entire Dexia Group. They report to the Chief Compliance Officer of Dexia Crédit Local on either a functional (subsidiaries) or a direct (branches) basis.

The Compliance department contributes to the Group's strict observance of all legal and regulatory obligations. Similarly, it acts in accordance with the guidelines established at the Dexia Group level, consisting notably of charters, codes, policy notes and procedures. 2013 was characterised by ongoing work to build on the main accomplishments from 2012 (structured loans, conflicts of interest, fight against money-laundering) and by support in terms of compliance in the separation of activities between Dexia and SFIL/CAFFIL, by the reduction in the business of Dexia CLF Banque. The mapping of non-compliance risks was reintroduced, leading to close cooperation of the entities of the Dexia Crédit Local Group. Each employee attends compliance training sessions, as laid out in a two-year plan established with the Human Resources department.

With regard specifically to the fight against money laundering and the financing of terrorism, the Dexia Group complies with all European and French regulations as well as all local laws in each of its international locations. In addition to these basic conditions, the Group has also implemented even stricter standardised criteria in terms of the acceptability and reputations of its customers. The Group strives to secure relationships only with counterparties with clearly established identities and who share the Group's own criteria for integrity and responsibility. The procedure applicable to the fight against money laundering and the financing of terrorism is accessible to all employees. As part of the anti-money laundering procedures, the Compliance department conducts periodic checks on the effective availability of client identification documentation, by verifying approval requests submitted to the Credit Committees or other bodies that have been granted delegations of powers. All the entities contributed to the implementation of an action plan in order to comply with the FATCA regulations. USA Patriot Act certification is available on the Dexia website for all concerned Group entities.

The Compliance department also attaches considerable importance to the inclusion of all European entities concerned by the Markets in Financial Instruments Directive (MiFID) in the MiFID monitoring report.

The Compliance department also contributes towards the system for monitoring structured loans by chairing the Committee of Evaluation and Prevention of Commercial Risks for the Dexia Group which has refocused its activities in line with the European Commission's decision on the subject.

The Compliance department performs a regulatory watch activity, continuously updating all the applicable laws and regulations; more specifically, the Compliance department is involved in defining the arrangements relating to the new standards applicable for Dexia Crédit Local, such as the Dodd-Frank Act and European Market Infrastructure Regulation (EMIR).

2.1.9. Periodic control

The Dexia Group's internal audit support line consists of internal audit and inspection. At 31 December 2013, Dexia's internal audit and inspection support line employed 34 people.

a. Organisation and governance of internal audit

Role of the internal audit function

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.

The internal audit function familiarises itself with all the goals of the organisation, analysing the risks associated with its objectives and periodically evaluating the adequacy of the controls in place to manage these risks. Internal audit then

(1) For the entities that do not have a Compliance department, there is no regulatory obligation to have so.

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. Lastly, internal audit proposes actions to management to strengthen the effectiveness of controls.

The internal audit function also assists the Boards of Directors of all Dexia Group entities in their supervisory role through Audit Committees.

In accordance with international standards, a Group-wide internal audit charter lays out the fundamental principles governing the internal audit function within the Dexia Group, describing its aims, role, responsibilities and operating procedures. This charter was updated at the beginning of 2013 to factor in the Dexia Group's new configuration and the Basel Committee's recommendations.

So that each employee 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 its website *(www.dexia.com)*.

Guidelines

The strategy, the level of requirements and the rules of operation for internal audit within the Dexia Group are set by the Management Board of Dexia SA, within the framework approved by the Board of Directors of Dexia SA, 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:

- having each internal audit department report directly to the highest level of authority within the entity for which it is responsible;
- not being involved in the operational management and organisation of Dexia Group entities. Dexia Group Management Boards may exceptionally call on internal audit for opinions, advice or assistance.
- ensuring unconditional and immediate access to information: under the terms of its assignment, the internal audit function has access to all the information, documents, premises, systems and persons within the entity for which it is responsible, including all management reports and the minutes of and information packages prepared for any advisory and decision-making bodies. The Dexia Group Internal Audit Department has access to all the information in all Group entities. Any failure to comply with these principles may be reported to the Management Board and, when relevant, the Audit Committee;
- providing the resources required to successfully carry out its assignment: the Dexia Group's Management Boards provide the internal audit function with the resources it needs to successfully carry out its assignment, in order to be able to continuously adapt to the Group's changing 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. Auditors are required to comply with the Dexia Group's rules of conduct, as well as the specific compliance codes for 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 judgment;
- 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 judgment 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.

Except, for example, in cases when the intervention of the internal control function has been requested by supervisory authorities, the audit scope does not include the operations of companies in which the Dexia Group holds only a non-controlling interest. However, the Dexia Group's representative on the Board of Directors is responsible for obtaining information concerning the state of the internal control arrangements and, if necessary, notifying the Management Board and Audit department of the entity holding this interest.

b. Organisation of the function

Principles

Internal audit is an integrated support line: its organisational structure is aligned with the Dexia Group's own organisation by segments (Management of Existing Outstanding Loans; Financial Markets, Balance Sheet Management, Risk Management and Finance; Operations and Information Systems and other support functions). Like the rest of the Group, this support line's organisation is changing in order to adapt to the new environment and to Dexia's new objectives.

Organisation

The Dexia Group's internal audit support line is headed by the General Auditor of Dexia SA, who is also the General Auditor of Dexia Crédit Local.

To help him with his periodic control duties, the Group General Auditor is assisted by the head office supervisors, by the Audit Departments of the subsidiaries and branches, as well as by an Audit Management Office (AMO) unit.

Each supervisor has responsibility for different segments. Liaising with the directors of operations concerned, the supervisors are responsible for the identification and monitoring of risks relating to the segments entrusted to them, as well as the supervision of all audit tasks relating to these segments at the headquarters, and monitoring the main entity-level assignments relating to these segments. The supervisors are assisted in their tasks by "correspondents", audit managers or senior auditors, more specifically instructed to monitor the recommendations for an activity sub-set.

The AMO ensures the maintenance and organises the application of audit methodologies in association with the Audit Management Committee (AMC). Within the framework of transversal projects, it oversees the implementation of support tools for the principal audit processes. It coordinates the work and/or prepares various reports produced by the audit support line. It is responsible for preparing and planning all the assignments included in the audit plan, as well as any ad hoc assignments. It monitors the schedule for the entire audit support line and monitors exchanges with the banking supervisory authorities.

Management of the audit support line

In order to manage the support line, an Audit Management Committee (AMC) has been created. It is made up of the General Auditor of Dexia SA, also General Auditor of Dexia Crédit Local., and supervisors. The AMC's missions include:

- defining the audit strategy and monitoring its implementation in the various audit departments;
- managing the support line's human and financial resources;
- defining and ensuring the proper application of the internal audit methodology applicable within the Dexia Group;
- defining and updating the Dexia Group's audit universe;
- establishing a global Dexia Group audit plan for presentation to the various committees of Dexia SA and the operating entities for approval, in addition to monitoring its implementation;
- providing optimum planning of the audit tasks;
- validating the various reports produced by the support line, particularly reporting on the monitoring of recommendations and the Audit and Inspection internal control report;
- monitoring audit tasks for the entire support line in order to have cross-business knowledge of the various risks.

c. Management guidelines

Dexia SA internal audit is headed by a General Auditor, who is also the General Auditor of Dexia Crédit Local.

The General Auditor ensures adequate cover for risks over the entire Dexia scope and has authority over the audit departments of the Dexia Group's subsidiaries and branches. The General Auditor monitors the supervision bodies in the entities and their subsidiaries and branches, as well as all the tasks performed by local banking supervisory authorities.

Each Internal Audit department is responsible for fulfilling its duty towards the Chairman of the Management Board depending on local regulations and towards the Board of Directors of the entity or subsidiary, with the potential support of an Audit Committee. Each Chief Auditor attends the meetings of the Management Board of the entity for which he is responsible (i) when that Board so requests, (ii) when presenting an audit report or (iii) at his own request, when he wishes to raise a particular point falling within the scope of his attributions and responsibilities. Each Chief Auditor has direct access to the Chairman of the Board of Directors, the members of the Audit Committee and the Statutory Auditors of the entity for which he is responsible.

d. Operational guidelines

The work performed by internal audit is based on proven methods in line with international best audit practices. The audit assignments and risk analyses in all Dexia Group entities are based on one common set of methodologies. They are adjusted regularly to reflect changes in standards, feedback from the field and changes in structures.

The internal audit function works based on an annual audit plan that has been approved by the Management Board, as well as by the Audit Committee and the Board of Directors. The risk analysis method aims to precisely target tasks on the critical audit units behind key risks. The frequency of audits for a given audit unit also depends on the quality of the internal control system in place for the audit unit in question. All Dexia Group entities apply the same methodology to perform audit assignments. The various stages in the process are presented in a procedure which describes the different stages to be monitored when performing an internal audit task (preparation, implementation, reporting, monitoring of recommendations), as well as the formats of documents expected at each stage. The procedure also determines the roles and responsibilities and the conditions for reviewing, approving and archiving documents.

The Dexia Group's audit methodology is built around four main phases: preparation, implementation, reporting and monitoring of recommendations.

Preparation

After learning about the subject to be audited, where the aim is to gather and analyse the various items of information available, which may prove useful to obtain good understanding of the activities, the audit team prepares a work programme, particularly containing the processes, risks, expected controls to cover identified risks and the tests to be performed to give an opinion on the conception and effectiveness of the controls in place to cover the risks identified. A job description informs the persons concerned of the scope, objectives and programme of the task.

Implementation

Each task must be performed based on working documents drawn up in accordance with a framework determined and organised in the audit file. They clearly reflect the work to be done, and the working techniques and methods to be used to reach a substantiated conclusion. The audit opinion is expressed concerning adequate cover for the risks identified. A causal analysis is made of the weaknesses revealed and the residual risk is assessed. Audit activities are supervised and the documents reviewed by task leaders (Supervisor and/or General Auditor).

Reporting

Each task is subject to a written report intended for the persons audited and Management. The report contains an assessment of the risks identified and recommendations on the measures to mitigate these risks. The audit assigns a critical level for each of the recommendations made.

The recommendations made by internal audit are submitted to the operational management teams concerned, who may accept the recommendations or ask for a "risk acceptance" from the Management Board. The recommendations accepted by the operational management teams are subject to a detailed action plan for which the provisional implementation date must also be defined by the service concerned. Internal audit must add its comments for the attention of the Management Board on requests for risk acceptance and on the appropriateness of the action plans and the deadlines proposed.

The action plans and risk acceptance requests are set out in the draft audit report which is presented to the Management Board. The Management Board takes decisions concerning the recommendations, the action plans and their timeframes, as well as any risk acceptance requests. The definitive report incorporates the Management Board's decisions, particularly those made in the event of disagreements between the Audit function and the departments concerned in relation to the recommendations. Once approved, recommendations must be implemented.

Monitoring of recommendations

Each task gives rise to recommendations set out in action plans under the responsibility of the head of the service audited. Responsibility for implementation of the recommendations approved by the Management Board falls on the recipient services. These are required to account for the implementation of action plans on the basis of a progress report and supporting documents sent to internal audit through systems provided for this purpose by the latter.

On this basis, internal audit regularly reviews each of the action plans. Internal audit maintains a database of all the recommendations made in audit reports and has defined a formal procedure for monitoring the implementation of these recommendations. This procedure requires at least two quantitative and qualitative monitoring stages, the results of which are presented to the Management Board and to the Audit Committee. The Management Board and the Audit Committee validate any requests for the cancellation of recommendations proposed over the monitoring period (e.g. recommendations that are no longer applicable).

e. Training

In addition to the training organised by human resources, a specific audit training plan has been put in place. It involves various training stages depending on the auditor's role and seniority.

f. Relations with the supervisory authorities and legal auditors

Internal audit maintains regular dialogue with the banking supervisory authorities and external auditors on subjects of common interest.

Internal audit is responsible for coordinating and centralising exchanges, whether incoming or outgoing, with the various banking supervisory authorities, whatever the support line concerned. Internal audit is also responsible for coordinating the inspection tasks of the various supervisory authorities. In this context, the General Auditor or the head of audit for the entity is the point of contact for the supervisory authorities. He coordinates the process of gathering data within the entity and the responses to inspection reports or to requests for additional information. Internal audit also monitors recommendations made by the supervisory authorities under the same conditions as for recommendations made by internal audit.

In order to avoid any duplication of tasks, internal audit maintains regular exchanges with the external auditors on internal control matters. These exchanges aim to share the findings of both parties in relation to internal control issues, while ensuring that the various elements of work fit together effectively.

g. General overview of activities in 2013

In 2013, internal audit tasks covered most of the Group's major support lines: management activities for outstanding loans, particularly with audits of the Bond Portfolio Management function, Project Finance Portfolio Management activities or the new process for entering into contracts for operations with the French local public sector; market activities (TFM), through unannounced controls on the trading floor, liaising with the Inspection unit; Risks, through the auditing of the Financial Market Risk or insurance management; Information System and Operations, through the auditing of collateral management and information system management audits. In addition, an audit was carried out focusing on the management of the main projects relating to standards and regulations (IFRS 13, FATCA, EMIR and Basel III). Lastly, the head office audit function also carried out a comprehensive audit of the internal control system in place at Dexia Sabadell.

The rate of implementation for the 2013 audit plan came to 82%; this was satisfactory for the Dexia SA/Dexia Crédit Local. scope, the other missions were being finalised at the end of 2013. The rate of implementation is also satisfactory for the various subsidiaries and branches of Dexia Crédit Local.

Contacts with the Dexia Group's various supervisors, whether through inspection tasks or meetings, continued to take up a considerable amount of the internal audit staff's time during 2013. Audit's role involves monitoring tasks and ensuring that the elements requested are correctly transmitted to the inspectors, at the end of the audit, coordinating the formulation of action plans in response to the regulators' recommendations and then monitoring both these action plans and those developed in response to its own recommendations.

The inspection assignments conducted by the supervisory authorities in respect of Dexia Crédit Local and its French banking subsidiaries concerned the risk of disputes relating to the annual percentage rate (APR) and the credit risk associated with the local public sector (Dexia Crédit Local and CLF Banque scope). In addition, a Banque de France inspection focused on the quality and eligibility of the loans submitted to Banque de France to guarantee monetary policy operations.

h. Inspection unit

Role

The inspection unit's mission is to contribute, independently and objectively, to controlling fraud risks. It intervenes in awareness, prevention and dissuasion, detection and investigation actions and proposes and monitors corrective measures. Its actions complement those carried out by Internal Audit.

Organisation and governance

The Inspection unit performs its tasks within the Internal Audit Department and is responsible for the performance of its tasks in relation to the Group General Auditor.

Inspection performs these tasks for Dexia SA and Dexia Crédit Local, as well as for all the branches, subsidiaries and sub-subsidiaries depending on them, which do not have their own inspection function. The function is performed full-time

by an inspector reporting to the Group General Auditor. When relevant, this function is provided working closely with the head of internal audit in the entity concerned.
An Inspection Charter sets out the fundamental principles governing the function, describing the objectives, roles, powers, duties and responsibilities, terms of operation and the basic rules governing it, including rules of professional ethics.

i. General overview of activities in 2013
In accordance with the principles set out in the charter, the tasks performed by inspection in 2013 related to awareness, prevention and dissuasion actions, fraud monitoring and detection, enquiries in relation to suspicions of fraud, as well as data extraction, and, in support of the Legal Department, actions dealing with questions of legal authority.

2.1.10. The Dexia group

The executive management body of the Dexia Group is the Management Board of the Group's parent company, Dexia SA.

The Dexia SA Management Board is responsible for the oversight and effective management of the Dexia Group, in addition to coordinating its various business lines and the specialist activities that support them, and monitoring the decisions made by the Board of Directors. The members of the Management Board of Dexia SA have been delegated specific Group-wide powers that they share amongst themselves.

After making significant progress in the implementation of the orderly resolution plan, particularly the sale of most of the operational entities, Dexia SA and its subsidiary Dexia Crédit Local SA have established a unified governance structure which is adapted to the objectives set by the European Commission. While the legal structures remain in place for Dexia SA and Dexia Crédit Local, the Group's management has been simplified and consolidated, including a common steering framework for the two main entities.

During 2013, the Management Board of Dexia SA operated under this simplified form, being composed of Karel De Boeck (Chief Executive Officer and Chairman of the Management Board of Dexia SA) as well as Philippe Rucheton and Claude Piret. During the same year, executive management of Dexia Crédit Local was made up of Karel De Boeck (Chief Executive Officer) and three Executive Vice-Presidents (Philippe Rucheton, Claude Piret and Alain Clot).

Membership of the Management Board of Dexia SA has recently changed on two occasions following the Board of Directors meetings of 13 December 2013 and 19 February 2014. During the meeting of 13 December 2013, it was agreed to increase the number of members of the Management Board of Dexia SA and of Dexia Crédit Local from 31 December 2013 to adjust Dexia's governance in line with the Group's mission. During its meeting of 19 February 2014, the Board of Directors of Dexia SA decided, however, to return to a smaller Management Board for Dexia SA.

Since 1 March 2014, the Management Board of Dexia SA has been composed as follows:
– Karel De Boeck, Chief Executive Officer and Chairman of the Management Board
– Pierre Vergnes, Finance
– Claude Piret, Head of Assets
– Philippe Rucheton, member of the Management Board until 31 March 2014

The Management Board of Dexia SA has therefore been composed as follows since 1 January 2014:

– Karel De Boeck, Chairman of the Management Board / Chief Executive Officer
– Pierre Vergnes, Finance / Executive Vice-President
– Claude Piret, Head of Assets / Executive Vice-President
– Benoît Debroise, Financing and Markets
– Marc Brugière, Risk
– Johan Bohets, General Secretary, Legal and Compliance
– Philippe Rucheton, member of the Management Board until 31 March 2014.

2.2 Preparation and processing of accounting and financial information

2.2.1. The financial statements

The principal goal of the financial statements is to present a true and fair view of a company's net worth, financial position and results.
CRBF Regulation 97-02 as amended, relating to internal control, stipulates in its section on accounting that the organisation put in place must guarantee the existence of a set of procedures referred to as the "audit trail". This audit trail must allow all accounting information provided to be tied back to an original supporting document, and vice versa. This is the basic policy on which the Dexia Crédit Local Group bases the organisation of its accounting function.

a. Duties and organisation of the accounting department
The Accounting department plays a central role in the organisation of Dexia Crédit Local, reporting to the company's Chief Financial Officer.

The Accounting department is responsible for the preparation of the parent company financial statements of Dexia Crédit Local, as well as those of any subsidiaries that do not have their own accounting department. It is also responsible for preparation of the consolidated financial statements of the Dexia Group. A specialist unit monitors compliance with regulatory standards and principles of conservatism.

As part of the consolidation process, the Accounting department also monitors and verifies the accounting data produced by the bank's French and foreign subsidiaries and branches. In particular, it verifies that the information provided is consistent and compliant with Group rules.

Generally speaking, the Accounting department has various means of obtaining the information it requires to fulfil its assignment of monitoring the accounting function in the broadest sense of the term. It is associated with the committees that may be relevant to its function, or is at least provided with a copy of the minutes of their meetings. It is in regular contact with its local correspondents to ensure that all Group principles have been properly received and that the instructions transmitted have been interpreted correctly. The department is involved in changes to IT systems in order to ensure that its specific needs are taken into account.

In connection with the Dexia Group's transformation plan, the Finance support line established three knowledge centres at the Dexia SA level related to the activities of the Accounting department. The consolidation and accounting standards and controls units all report directly to Dexia SA Dexia Crédit Local has set a series of service contracts in place with its parent company so that these functions can be performed by the central teams, under joint management with the Chief Accountant and Chief Financial Officer of the entity. The members of these units maintain close relationships with the local teams, and, in addition to their duties on behalf of Dexia Crédit Local, they also play a Group-wide (or "horizontal") role at the Dexia Group level.

The Accounting department maintains a unit in charge of the accounting information system, which allows it to participate actively in the implementation of transformation projects and improvement of existing systems alongside the other applications employed in the Finance support line.

The accounting system has been adapted to raise the level of quality and efficiency of its processes and to make the consolidated accounting information it produces more reliable on a continuing basis, especially in the context of the uniform application of International Financial Reporting Standards (IFRS) throughout the Dexia Crédit Local Group.

Preparation of the financial statements

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

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

First-level controls are performed by accounting teams specialising in each line of business, 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 outstandings 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 business line 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 form the parent company 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.

Preparation of the consolidated financial statements

The financial statements of the international entities that are prepared under local standards are restated to ensure consistency with the accounting policies of the Dexia Crédit Local Group (EU IFRS). These policies are compiled into a consolidation manual that is provided to each Dexia Crédit Local Group entity. Operational instructions are also provided to the entities at each closing date by the Head Office consolidation unit. These instructions set out improvements to be made to the process in light of remarks evinced during preceding periods, and provide details of any changes (systems, new data to be provided, etc.) to be taken into consideration during the period.

If any difficulties arise in interpreting these principles, all the entities may call on the Consolidation division. Working with the Accounting Standards division, it provides them with an appropriate answer.
Using their individual financial statements that have been restated to Group norms, each of the entities of the Dexia Crédit Local Group fills in a consolidation package that is incorporated automatically into the consolidation system.

Checks are performed on the information that is collected every quarter as well as on data relating to intercompany transactions, the financial statements, and the notes to the financial statements.

These checks are aimed at ensuring the comparability of the information provided and its compliance with Group rules, and providing a better understanding of the principal changes that have taken place in comparison with prior periods. The consolidation unit performs specific adjustments intended notably to eliminate intercompany transactions and incorporate any changes in the scope of consolidation.

The accounting control system will be reinforced by the implementation of an accounting permanent control unit whose mission and scope were redefined in 2013, and which will ensure the proper documentation and justification of existing controls, and it will complement the existing system.

Approval of the financial statements

Once it has finalised the parent company and consolidated financial statements, the Accounting department presents them to the Chief Financial Officer and the Chief Executive Officer of Dexia Crédit Local for review. The financial statements are subsequently reviewed by the Management Board, and then presented to the Audit Committee.

As required by law, the Board of Directors of Dexia Crédit Local approves the parent company financial statements and the consolidated financial statements and presents them to the Shareholders' Meeting along with the Group management report. The Board of Directors also reviews the report of its Chairman on internal control procedures as presented to the Shareholders' Meeting.

Publication of the financial statements of Dexia Crédit Local

The summary financial statements are then incorporated into the annual report, which is equivalent to the registration document *(document de référence)* required in France by Article 212-13 of the General Regulations of the French Financial Markets Authority (AMF). Using these reports, together with information gathered throughout the closing process, the Accounting department also prepares the written comments for the section of the management report that covers the preparation and analysis of the financial statements.

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 equivalent to the registration document is filed in both paper and electronic formats with the AMF; it is also filed with the Clerk of the French Commercial Court and is posted on the Dexia Crédit 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 interim reports are released through an AMF-certified distributor of financial news releases (Thomson Reuters).

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

b. Role of the statutory auditors

The committee composed of two statutory audit firms (the "Statutory Auditors") is involved throughout the entire process of verifying the financial and accounting information in order to promote efficiency and transparency. As part of their review, they analyse accounting procedures and evaluate the internal control systems in place for the sole purpose of determining the type, frequency and scope of their tests.
Their review is not intended to provide any specific opinions regarding the effectiveness and reliability of the internal controls; they may, however, choose to share any recommendations they have with regard to internal control procedures and systems that could improve the quality of the accounting and financial information prepared. Their assessment of internal controls is based notably on substantive tests, such as obtaining confirmations from a sample of unrelated counterparties.

They issue instructions to the statutory or internal auditors of the subsidiaries and centralise all work performed. They call summary review meetings to present the findings of their audits and evaluate the accounting standard team's interpretation of legal and regulatory statutes. They are provided with all accounting and consolidation procedure manuals, as well as the guidelines issued by the Accounting department. They examine the internal audit reports provided to them. Lastly, they verify the accuracy and consistency of the management report and the financial accounting statements, as well as the consistency of the overall document with the items they have audited.

These reviews enable the Statutory Auditors to obtain reasonable assurance that the financial statements they are certifying are free from any material misstatements.

2.2.2. Management data

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statement and notes) are not the only quantified analyses released by Dexia Crédit Local to its shareholders and the public. They are supplemented by financial indicators, breakdowns and analyses of results, discussions of outlook and risk assessments, which are all incorporated into the annual report or transmitted during presentations to financial analysts.

Some of these reports are provided directly by the operating departments or the Risk Management department. Their accuracy is therefore guaranteed by each department's internal control system.

Most of these financial indicators – and especially those which require data from different sources to be cross-linked or compiled, or certain high-level figures to be broken down, or accounting data to be restated in order to respect management constraints – are provided to the people drafting the annual report by the Strategic Planning and Controlling department. Like the Accounting department, the latter reports to the member of the Dexia SA and Dexia

Crédit Local Management Board responsible for Finance. The Strategic Planning and Controlling department contributes to the preparation of financial information in two main ways:

a. Monitoring financial performance indicators

Monitoring is conducted on a monthly basis, using a series of key monitoring indicators from the orderly resolution plan as approved by the European Commission:
- outstanding loans and profit and loss impact of disposals of assets and entities;
- outstanding loans and impact of the desensitisation of structured loans in France;
- average outstanding loans and cost per type of refinancing;
- operating expenses broken down by staff salaries and other expenses;
- solvency under Basel II in 2013.

These indicators are compiled based on information collected from the information system of the Strategic Planning and Controlling department for France and from the international entities. They are summarised on a monthly basis within the report for the Management Board of Dexia SA and Dexia Crédit Local.

b. Analysis of results

Following the European Commission's approval of Dexia's orderly resolution plan in December 2012, and given the progress made in the implementation of this resolution process, Dexia changed its analysis by business line for the presentation of its consolidated results on 30 June 2013. This presentation is in line with the Group's new profile and its strategic orientation, one of the main objectives of which is to minimise the risk that the Dexia Group represents for the state guarantors and to optimise its asset value for its shareholders.
From this perspective, Dexia's performance is now shown at a consolidated level on the basis of a sole division entitled "Management of activities in run-off", without specific allocation of funding and operating expenditures.
This modified analytical presentation of performance is in line with the fact that Dexia's structure is no longer composed of homogenous operating units each with its own decision-making powers in terms of allocation of resources (funding and operating expenditures). In addition, classification of the income statement and the balance sheet in two segments, "Core" and "Legacy division" is no longer warranted in view of the extension to all the assets of the description "assets in run-off".

In order to ensure optimal readability of its results, the Group adopted an analytical presentation differentiating three categories of elements:

- Non-recurring elements: Exceptional items, not expected to reoccur, including in particular gains and losses on asset disposals, costs and gains associated with litigations and restructuring costs.

- Elements of accounting volatility: Items related to fair value adjustments of assets, liabilities and derivatives; the own credit risk (OCR) and other movements which do not correspond to a cash outflow.

- Recurring elements: Items related to the carriage of assets such as portfolio revenues, funding costs, operating expenditures, cost of risk and taxes.

Recurring results are drawn up and analysed every month (with the exception of the months following a quarterly close), and tend to use three types of analytical information:

- margins on portfolios of assets are calculated by the Strategic Planning and Controlling department. It compiles data from the general accounting system – such as average outstanding loans and the interest margin rate – that is generated automatically in the same way as the pure accounting data;

- financial margins and liquidity costs are calculated by the Market Risk Management department (reports to Risk Management department) and the Balance Sheet Management department (reports to the Finance department) using the internal bill-back system present in each profit centre in the financial activities area;

Margins on portfolios of assets and financial margins are combined with other types of income, such as fees and commissions, to calculate the total income. The sum of these income figures by business line and by all the income statement items (including general operating expenses, cost of risk, etc.) is reconciled with the income figure produced by the Accounting department.
In short, all of these procedures allow complete income statements to be prepared, in order to foster a better understanding of the individual profitability of Dexia Crédit Local.

c. Compilation process

French and foreign entities with their own financial control units monitor financial indicators and the analysis of results themselves, using the same standards and principles, which may be adapted with respect to each entity's size, organisation and systems. This standardised list of instructions is used throughout the entire Dexia Group.
Dexia SA's Strategic Planning and Controlling department coordinates, monitors and supervises the entire process. It provides all entities with standardised, secure data-gathering tools in order to render the data collection process more reliable and effective. Lastly, it compiles all of the data collected.
While information is being compiled by line of business, the Accounting department oversees the consolidation process.
At each stage of the preparation of the consolidated data, the Planning and Financial Control department and the Accounting department have set in place consistency controls based on the reconciliation of the management and accounting data. Reconciliation of management earnings with accounting earnings is an important component of internal control, to ensure the accuracy of both, complemented by a systematic, analytical review of the main items.

2.3. Identification of risk and corresponding internal controls

Banking generates four main types of risks: credit risk, market risk, structural risk (interest rate, currency and liquidity) and operational risk.
Monitoring of all these risks is performed jointly by the appropriate committees and the Risk Management department, with the help of tools that it develops, in accordance with the guidelines established by the executive management team and all regulatory and supervisory constraints.

As regards the supervision of risks in the subsidiaries and branches, each entity has its own local risk management function. These structures are strictly independent of the front offices and report directly to the Dexia Crédit Local Risk Management department.

Each local risk management function has one or more correspondents in charge of managing operational risk and implementing the Basel reforms. Generally speaking, all of the risk management techniques used at the Dexia Crédit Local level are also used within each subsidiary and branch.

In addition to the general principles described above, the means used by Dexia Crédit Local to manage these risks in practice, both on a day-to-day basis and under exceptional circumstances, are described below.

2.3.1. Credit Risk

a. Definition

Credit risk represents the potential loss, reflected in a decrease in the value of an asset or a default of payment, that Dexia Crédit Local may incur due to the deterioration of a counterparty's solvency.

The principles of credit risk management are explained in Section "Credit risk" of the risk management section of the management report, and data regarding exposure by region and by type of counterparty is presented in the notes to the consolidated financial statements.

b. Organisation of monitoring

Within the risk support line, the Credit Risk department is in charge of supervising credit risk under the aegis of the Management Board and specialist committees. It is in charge of defining the Group's credit risk policy, which encompasses the supervision of processes for rating counterparties, the analysis of credit files and the monitoring of exposures within the Group. It also defines and implements reserve policy. It classifies files in default, and decides on specific and collective reserves.
Risk Management manages the lending process by delegating authority to different committees and heads of the support line, within the limits put in place by the bank's senior management within the implementation of the orderly resolution plan.

c. Approval process

Any commitment that can give rise to a credit risk must be approved in accordance with a lending approval process organised according to volume, rating and type of counterparty. The Credit Committee process is described in Section 2.1.5. In view of Dexia's situation, it is important to note that Dexia Crédit Local's level of activity in terms of new commitments remained very limited in 2012, in accordance with the European Commission's demands.

d. Establishment of credit limits

To control Dexia Crédit Local's general credit risk profile and limit any concentrations of risk, credit risk limits are set for each counterparty, establishing the maximum acceptable credit risk exposure for a given counterparty. Limits by business sector and by product may also be imposed by the Risk Management department. The latter actively tracks limits in advance, operation by operation, before any credit decision.

These limits are also controlled retrospectively in the exposure reports provided to the regulatory authorities and the bank's decision-making bodies. The Risk Management department may reduce them at any time, based on changes in the corresponding risks.

e. Monitoring and reporting of information

The monitoring process is based upon two levels:
- first-level monitoring is provided by the front office teams of the Head Office, branches and subsidiaries as part of their permanent controls of their counterparties' financial strength;
- second-level monitoring is provided by the Risk Management department, which collects and consolidates exposures, delinquent payments and non-performing loans and participates in the approval of reserves every quarter.

Every quarter, the Management Board conducts a risk review and examines all changes in the various risks. The risk support line already described is responsible for the consolidated monitoring of risk within the subsidiaries and branches.

f. Internal credit ratings

As Dexia Crédit Local has adopted IRBA Advanced approach, the assessment of credit risk relies principally on internal rating systems established within the context of Basel II: under the Advanced approach, each counterparty is assigned an internal rating by credit risk analysts using dedicated rating tools. This internal rating corresponds to an assessment of the level of the counterparty's risk of default expressed through an internal scale and represents a key component of the credit approval and risk monitoring process. Ratings are revised at a minimum annually, and this permits proactive identification of the counterparties necessitating regular monitoring by the Watch-list Committee, on the basis of objective criteria or expert judgment. The Standard Basel II portfolio is also monitored on a regular basis.
The Quality Control unit verifies that the internal rating system is used correctly, and regularly reviews the quality of the data and the results.

g. Reserve policies

A Reserves Committee, chaired by the Risk Management department, establishes the cost of risk. Collective reserves are calculated and maintained as required by IFRS regulations in order to protect the bank from any unexpected losses.

2.3.2. Market risk

a. Definition

Market risk reflects exposure to changes in market parameters such as interest and exchange rates.
Interest rate risk includes both a structural interest rate risk and a specific risk on the particular loan counterparty. The latter arises from variations in the credit spread of a specific issuer within a rating class.
Currency risk reflects the potential decline in value due to fluctuations in foreign exchange rates against the euro, the currency Dexia Crédit Local uses in the preparation of its financial statements.

The management principles for these risks are detailed in Section "Market risk" in the risk management section of the management report, and quantitative exposure data for interest rate risk is presented in the notes to the consolidated financial statements.

b. Organisation of monitoring

In order to efficiently monitor market risks, Dexia has developed a framework based on the following:

• A comprehensive approach to the measurement of risk, which constitutes an important part of Dexia Crédit Local's process for monitoring and controlling its risk profile;

• A structure of limits and procedures governing the acceptance of risk, consistent with the entire process for measuring and managing risk.

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

• Value at Risk (VaR) measures the potential loss expected for a 99% confidence interval over a 10-day holding period. Dexia uses several VaR techniques to measure the inherent market risk of its various portfolios and activities:

• Directional rate risks and forex risks are measured through a parametric VaR approach, the methodology of which is based on the assumption of a normal distribution of yields of risk factors.

• The credit spread risk and other risks in trading books are measured by means of a historical VaR approach. The distribution of historical VaR is constructed by applying historical scenarios for the risk factors affecting the current portfolio.

• Limits governing sensitivity to various risk factors, maturity, market and authorised products are put in place for each type of activity, ensuring consistency between overall value limits and operational thresholds used by front office. These measures also serve to manage risk that would only be imperfectly covered by VaR measures.

Stress testing enhances the risk management process by examining a range of events not within the probability-based framework of VaR measurement techniques. The various stress test assumption scenarios are reviewed and updated regularly. The consolidated results of stress testing and the corresponding analyses are presented once a quarter to the MRC and RC.

2.3.3. Structural risks: interest rate, currency and liquidity

a. Definition

Balance sheet management manages all structural risks relating to the banking book. This covers interest rate, currency, liquidity and earnings risk as well as cash and liquidity management and hedging for short-term interest rate risks.

Detailed definitions of the structural and specific interest rate risk and the currency risk are provided in the section on market risk.

Liquidity risk measures Dexia Crédit Local's ability to satisfy all of its current and future cash needs, both expected and unexpected in the event of a deterioration in the situation, with Dexia Crédit Local working on various stress scenarios.

The management principles for these risks are detailed in Sections "Market risk" and "Liquidity risk" in the risk management section of this management report, and quantitative exposure data for interest rate, currency and liquidity risk are presented in the notes to the consolidated financial statements ("Liquidity risk" and "Currency risk").

b. Organisation of monitoring

Dexia's assets and liabilities management (ALM) policy aims to reduce the liquidity risk as far as possible and to limit exposure to interest rate and currency risks.

Interest rate and currency risk

Dexia's balance sheet management aims to minimise the Group's earnings volatility.

In terms of currencies, the *Asset and Liability Committee* (ALCo) decides on the policy for hedging the currency risk generated by the existence of assets, liabilities, income and costs in foreign currencies. The structural risks relating to financing for equity investments with capital in foreign currencies, uniquely in US dollar for Dexia Crédit Local, and the volatility of Dexia Crédit Local's capital adequacy ratio are also monitored on a regular basis.

Measuring the interest rate risk

Interest rate risk is measured through sensitivities. Risk sensitivity measurements reflect the exposure of the balance sheet to a 1% parallel shift in the yield curve. The primary risk metric used to set limits and monitor risk is the sensitivity of the net present value of positions measured by accrued interest to changes in interest rates.

The key risk metrics used by the ALM Committees (ALCO) to manage this risk are still the global and partial sensitivity by time interval.

Dexia Crédit Local's structural interest rate risk is generated primarily by long-term European interest rates and results from the imbalance between Dexia Crédit Local's assets and liabilities after interest rate risk hedging.

Foreign exchange risk

Dexia Crédit Local's consolidation currency is the euro, but many of its assets, liabilities, revenues and costs are also denominated in other currencies. The indicators followed by the ALCo committee correspond to the structural foreign exchange position of each currency per entity.

A systematic hedging policy is applied on an ongoing basis for these areas of exposure.

Liquidity risk

The main objective of Dexia Crédit Local is to manage the liquidity risk in euros and in the Group's currencies, as well as to oversee the cost of funding raised to minimise the volatility of the result.

The analysis of short and long-term secured funding transactions, securities swaps, guaranteed issues and unsecured funding as well as the close monitoring of the implementation of funding programmes are some of the instruments and activities used by the Funding and Liquidity Committee to oversee and improve the liquidity position of the Group and of Dexia Crédit Local. Particular attention was also given to the consequences of the sale of SFIL and the implementation of the agreement for the sale of Dexia Bank Belgium (now Belfius Bank).

The liquidity management process aims to optimise Dexia Crédit Local's funding requirements in view of the constraints to which it is exposed. These requirements are assessed in a conservative, dynamic and exhaustive manner, factoring in all existing and planned transactions (both on and off-balance sheet). Reserves are composed of assets eligible for the refinancing facilities of central banks to which Dexia has access.

Specific and regular information has been implemented:
• a daily and weekly report for the members of the Management Board, the state shareholders, guarantors and regulators. This information also serves all those involved in the management of Dexia Group and Dexia Crédit Local liquidity, i.e. BSM Finance, BSM Risk Management and TFM;
• monthly distribution of the 12-month funding plan to the state shareholders and guarantors, central banks and regulators;
• a twice-weekly conference call with the French and Belgian central banks and regulators.

Liquidity indicators have evolved to take into account the constraints weighing on the liquidity situation of Dexia Crédit Local. The four week liquidity ratio comparing liquidity reserves to Dexia Crédit Local's liquidity gaps following various scenarios is supplemented by the drawings ceiling authorised by the Bank of France on the emergency liquidity assistance (ELA) facility and by the maximum authorised amount of guaranteed issues.

Dexia Crédit Local's liquidity risk is also framed by the liquidity ratio monitored by the Prudential Supervision and Resolution Authority (ACPR). It is defined as the ratio between liquidities (as the numerator) and liabilities (as the denominator) over a prospective period of one month; the coefficient thus calculated must at all times be above 100 (Instruction No. 2009-05 dated 29 June 2009 relating to the standardised approach to liquidity risk).
This ratio is sent to the ACPR on a monthly basis.

2.3.4. Operational risk

Definition

Operational risk represents the risk of a financial or non-financial impact resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes information systems, legal and compliance risks.

b. Organisation and monitoring

Dexia Crédit Local's operational risk management policy

Dexia Crédit Local's operational risk management policy is to identify and regularly assess the various risks and controls that exist to verify compliance with the level of tolerance that has been defined for each type of activity. If these levels are exceeded, the system of governance that has been set in place must lead to the rapid development of corrective actions or improvements that will return the situation to an acceptable level. This system is supplemented by a prevention policy that concerns notably data security, business continuity and, when necessary, the transfer of certain risks through the use of insurance.

Monitoring the operational risk follows the standard approach provided for under Basel II. Under this methodology, information relating to the operational risk must be transferred by the operational actors to the managers in charge of monitoring this risk and monitoring the tasks identified as critical.

The corporate development plan identifies operational continuity as one of the pillars of Dexia's strategy in the context of its orderly resolution.

The operational risk management system relies on the following elements:

Operational risk database

The systematic capture and follow-up of operational risk events is one of the most important requirements stated by the Basel Committee. The collection of operational risk event data allows Dexia Crédit Local to comply with regulatory requirements and to obtain valuable information it can use to improve the quality of its internal control system.

Self-assessment of risk and related controls

In addition to building a history of losses, Dexia Crédit Local's exposure to the main risks is mapped on an annual basis. Dexia Crédit Local, its subsidiaries and its branches perform exercises in self-assessment of risk in the light of existing controls which provide an overview of most of the risk areas in the different entities and activities. Risk limitation actions may be defined if necessary.

Definition and monitoring of action plans

Corrective measures are defined that must be taken to correct any major risk events, deficient controls or significant risks identified. There is regular monitoring by operational risk management. This process promotes the continuous improvement of the internal control system and reduction of risk in an appropriate fashion over time.

c. Information systems security

The information systems security policy and all related guidelines, standards and practices are designed to ensure the security of Dexia Crédit Local's information assets. The security programmes and defined responsibilities in place enable all activities to be carried out in a secure environment.
As required by Dexia Crédit Local's business continuity policy, the business lines must perform impact studies for all critical activities in the event of an interruption. They must define and establish recovery plans and ensure that the business continuity plans of the different functions are tested and updated at least once a year. Based on regular reports, the Management Board validates all recovery strategies, residual risks and action plans in an effort to achieve continuous improvement.

d. Legal risk

The General Secretary performs six main functions:
• Legal support to front office activities;
• Management of pre-litigation and disputes;
• Management of divestments and reorganisations of the Group's companies;
• Coordination of governance;
• Management of the Group's compliance and permanent control.

The support line therefore plays a key role in preventing matters from being taken to litigation, anticipating changes in the law and ensuring compliance with the principles of corporate governance.

Within Dexia's orderly resolution plan, it has been decided to integrate the organisational structure of the General Secretary by pooling the teams of Dexia Crédit Local and Dexia SA to promote, in particular, a common approach.

A specific reporting tool covering all the legal risks managed by the General Secretary, Legal and Compliance support line is presented to the Audit Committee every quarter to ensure a relevant and regular reporting of information.

e. Insurance of operational risk

Dexia Crédit Local currently has traditional property and casualty insurance, including general hardware and facilities multi-risk, vehicle and third-party liability. All French subsidiaries are covered under these polices.

Dexia SA has taken out policies for the following risks: directors' and officers' liability for the members of the management bodies, third-party professional liability and so-called "comprehensive bank coverage", which covers fraud and the financial impact of damage to assets and/or documents. These guarantees also cover all Dexia Group entities, including Dexia Crédit local and the French and foreign entities controlled by the latter.

2.4. Control and monitoring of internal controls

2.4.1. Chief Executive Officer and the Management Board

The Chief Executive Officer, assisted by the Executive Vice-Presidents, performs a vital role in the assessment of internal control. They have access to several sources of information to enable them to accomplish all of their duties in this area. There are no potential conflicts of interest between the duties of the Chief Executive Officer or Executive Vice-Presidents with respect to Dexia Crédit Local and their personal interests or other duties.

The members of the Management Board have each been assigned operational responsibilities by business line or by function. They therefore have a comprehensive understanding of the constraints and opportunities in their respective fields of activity, and are thus able to define internal control procedures and to judge their effectiveness.
The most sensitive horizontal, Group-wide Committees are chaired by a member of the Management Board, who can subsequently summarise the work involved for all the members.

The Management Board has also implemented a system of delegation and reporting that requires the operation departments to present and approve the key indicators, through which it is able to judge the quality and smooth running of the internal control system.

Internal Audit is also a valued source of information for the Chief Executive Officer, the Executive Vice-Presidents and the Management Board. They receive all audit reports, which are discussed and commented on during meetings, and approve all recommendations and action plans. The Chief Auditor reports to the Management Board on the monitoring of audit recommendations. The Chief Executive Officer and Executive Vice-Presidents may also ask the Internal Audit department to perform assignments that are not scheduled in the annual audit plan on topics that they feel require immediate attention.

Both the Statutory Auditors, as part of their audit of the financial statements, and the regulators (in France, essentially the Prudential Supervision and Resolution Authority and the Financial Markets Authority), as part of their inspection duties, make recommendations for improving specific internal control issues. The Management Board subsequently takes the necessary steps so that these recommendations are implemented as quickly as possible.

2.4.2. Audit Committee and Board of Directors

The Audit Committee is delegated by the Board of Directors to help it carry out its functions in overseeing the management of Dexia Crédit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and monitoring of risk, and is also responsible for managing relationships with the Statutory Auditors.

Following regulatory developments with regard to the role and responsibility of the Audit Committee, the Audit Committee's rules of procedure were updated in May 2011. In addition to regulatory changes, the new document also reflects the changing composition, role and authority of the Audit Committee. The functioning of the Audit Committee was also spelled out in the rules of procedure; this included the frequency with which the Committee meets, which was increased from two meetings per year to the four meetings per year currently observed.

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 quarterly, 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 control and risk management procedures exist and have been implemented, notably with regard to credit, market and operational risk;
- is informed of the liquidity position;
- 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 audit plan for the coming year, and 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 statutory auditors proposed for appointment at Shareholders' Meetings.

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

In performing its assignments, the Audit Committee has unfettered access to the Statutory Auditors, the Chief Auditor and the Chief Compliance Officer of Dexia Crédit Local. It informs the Chief Executive Officer of its contacts immediately. It is also informed of any interventions undertaken by the regulatory authorities and by the Internal Audit department within the Dexia Crédit Local Group (scope of the assignment, progress made, findings and responses made, etc.).

It may request copies of the audit reports. It is also empowered to suggest any additional assignments.

The Committee can request any information that it may deem useful.

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 Chief Auditor and may request audit assignments if he feels this is warranted.

Robert de Metz
Chairman of the Board of Directors

Statutory Auditors' report prepared in accordance with article L. 225-235 of the French commercial code and dealing with the report of the Chairman of the Board of Directors of Dexia Crédit Local

Financial year ended December 31st, 2013

To the Shareholders,

In our capacity as Statutory Auditors of Dexia Crédit Local and in accordance with article L. 225-235 of the French commercial code, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French commercial code for the financial year ending December 31st, 2013.

The Chairman is responsible for preparing and submitting for the approval of the board of directors, a report describing the internal control and risk management procedures implemented by the company and disclosing other information as required by article L. 225-37 of the French commercial code dealing in particular with corporate governance.

Our own responsibility is to:
– Communicate to you any observations we may have as to the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information ; and
– Attest that the report includes the other disclosures required by article L. 225-37 of the French commercial code. It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information

Our professional standards require the application of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information. Those procedures involve in particular:
– Obtaining an understanding of the underlying internal control and risk management procedures in the area of the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation ;
– Obtaining an understanding of the work performed as a basis for preparing that information and the existing documentation;
– Determining if any major internal control weaknesses in the area of the preparation and processing of financial and accounting information identified by us during the course of our engagement have been appropriately disclosed in the Chairman's report.

On the basis of the procedures performed, we have nothing to report on the information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information contained in the report of the Chairman of the board of directors prepared in accordance with article L. 225-37 of the French commercial code.

Other disclosures

We hereby attest that the report of the Chairman of the board of directors includes the other disclosures required by article L. 225-37 of the French commercial code.

Neuilly-Sur-Seine and Courbevoie, April 14th, 2014

The Statutory Auditors

DELOITTE & ASSOCIÉS — MAZARS

Pascal COLIN — Charlotte VANDEPUTTE — Franck BOYER — Virginie CHAUVIN

Consolidated financial statements

Consolidated balance sheet

ASSETS (EUR million)		Note	31/12/12	31/12/13
I.	Cash and central banks	2.0	1,048	1,542
II.	Financial assets at fair value through profit or loss	4.1	23,379	18,347
III.	Hedging derivatives	4.1	9,371	5,945
IV.	Financial assets available for sale	2.2	36,060	29,224
V.	Interbank loans and advances	2.3	10,806	8,908
VI.	Customer loans and advances	2.4	149,109	128,552
VII.	Fair value revaluation of portfolio hedge		3,526	1,035
VIII.	Financial assets held to maturity	2.5	453	384
IX.	Current tax assets	2.6	33	17
X.	Deferred tax assets	2.6	18	42
XI.	Accruals and other assets	2.7	37,473	27,260
XII.	Non current assets held for sale	4.6	84,095	12
XV.	Tangible fixed assets	2.8	499	338
XVI.	Intangible assets	2.9	43	28
XVII.	Goodwill	2.10	59	0
TOTAL ASSETS			**355,972**	**221,634**

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

LIABILITIES (EUR million)		Note	31/12/12	31/12/13
I.	Central banks	3.0	50,590	34,274
II.	Financial liabilities at fair value through profit or loss	3.1	27,831	18,839
III.	Hedging derivatives	4.1	35,760	22,265
IV.	Interbank borrowings and deposits	3.2	34,971	31,969
V.	Customer borrowings and deposits	3.3	10,727	8,590
VI.	Debt securities	3.4	109,825	96,368
VII.	Fair value revaluation of portfolio hedges		372	231
VIII.	Current tax liabilities	3.5	17	6
IX.	Deferred tax liabilities	3.5	45	40
X.	Accruals and other liabilities	3.6	3,941	5,697
XI.	Liabilities included in disposal groups held for sale	4.6	79,169	0
XIII.	Provisions	3.7	121	173
XIV.	Subordinated debt	3.8	707	644
	Total Liabilities		**354,076**	**219,096**
XV.	**Equity**	3.9	**1,896**	**2,538**
XVI.	Equity, Group share		1,499	2,130
XVII.	Capital stock and related reserves		3,227	3,227
XVIII.	Consolidated reserves		7,314	5,404
XIX.	Unrealised or deferred gains and losses		(7,002)	(5,597)
XX.	Net income for the period		(2,040)	(904)
XXI.	Minority interests		397	408
TOTAL LIABILITIES AND EQUITY			**355,972**	**221,634**

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of income

(EUR million)		Note	31/12/12	31/12/13
I.	Interest income	5.1	16,890	14,392
II.	Interest expense	5.1	(17,861)	(14,248)
III.	Commission income	5.2	113	55
IV.	Commission expense	5.2	(47)	(44)
V.	Net gains (losses) on financial instruments at fair value though profit or loss	5.3	(250)	(340)
VI.	Net gains (losses) on financial assets available for sale	5.4	390	44
VII.	Other income	5.5	55	38
VIII.	Other expenses	5.6	(42)	(117)
IX.	**NET BANKING INCOME**		**(752)**	**(220)**
X.	Operating expenses	5.7	(346)	(333)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.8	(34)	(32)
XII.	**GROSS OPERATING INCOME**		**(1,132)**	**(585)**
XIII.	Cost of risk	5.9	(365)	(197)
XIV.	**OPERATING INCOME**		**(1,497)**	**(782)**
XVI.	Net gains (losses) on other assets	5.10	(22)	59
XVIII.	**INCOME BEFORE TAX**		**(1,519)**	**(723)**
XIX.	Income tax	5.11	(4)	(43)
XX.	Result from discontinued operations, net of tax	4.6	(541)	(143)
XXI.	**NET INCOME**		(2,064)	(909)
XXII.	Minority interests		(24)	(5)
XXIII.	**NET INCOME, GROUP SHARE**		**(2,040)**	**(904)**
	Earnings per share, Group share	5.12		
	Basic (in EUR)		(9.12)	(4.04)
	- from continuing operations		(6.70)	(3.40)
	- from discontinued operations		(2.42)	(0.64)
	Diluted (in EUR)		(9.12)	(4.04)
	- from continuing operations		(6.70)	(3.40)
	- from discontinued operations		(2.42)	(0.64)

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(EUR million)	31/12/12 Before-tax amount	31/12/12 Tax (expense) benefit	31/12/12 Net-of-tax amount	31/12/13 Before-tax amount	31/12/13 Tax (expense) benefit	31/12/13 Net-of-tax amount
NET INCOME			**(2,064)**			**(909)**
Items reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	6		6	(23)		(23)
Revaluation of financial assets available for sale	1,142	(607)	535	1,379	(17)	1,362
Revaluation of hedging derivatives	79	(85)	(6)	(60)	5	(55)
Other comprehensive income from disposal groups held for sale	173	(63)	110	211	(68)	143
Items that will never be reclassified or likely to be subsequently reclassified in net income						
Actuarial gains and losses on defined benefit plans				(6)	1	(5)
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**1,400**	**(755)**	**645**	**1,501**	**(79)**	**1,422**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**(1,419)**			**513**
of which, Group share			(1,501)			501
of which, Minority interests			82			12
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY FROM CONTINUING ACTIVITIES	**(292)**	**(696)**	**(988)**	**567**	**(54)**	**513**
of which, Group share			(1,070)			501
of which, Minority interests			82			12

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(EUR million)	CORE EQUITY			UNREALISED OR DEFERRED	
	Capital stock, additional paid-in capital	Reserves, retained earnings and net income for the period	Total	Change in fair value of financial assets available for sale, net of taxes	Change in fair value of cas flow hedges, net of taxes
AS AT DECEMBER 31, 2011	**6,071**	**2,158**	**8,229**	**(6,684)**	**(868)**
Movements during the period					
Changes in capital	785		785		
Changes in additional paid-in capital	(2,985)	4,200	1,215		
Translation adjustments				7	2
Changes in fair value of financial assets available for sale through equity				271	
Changes in fair value of derivatives through equity					(10)
Changes in fair value of financial assets available for sale through profit or loss				265	
Changes in fair value of derivatives through profit or loss					(2)
Net income for the period		(2,040)	(2,040)		
Other movements[1]	(644)	956	312		
AS AT DECEMBER 31, 2012	**3,227**	**5,274**	**8,501**	**(6,141)**	**(878)**
Movements during the period					
Translation adjustments				10	12
Changes in fair value of financial assets available for sale through equity				1,128	
Changes in fair value of derivatives through equity					(64)
Changes in fair value of financial assets available for sale through profit or loss				202	
Changes in actuarial gains and losses on defined benefit plans					
Net income for the period		(904)	(904)		
Other movements[1]		130	130	145	
AS AT DECEMBER 31, 2013	**3,227**	**4,500**	**7,727**	**(4,656)**	**(930)**

(1) Other movements are all discussed in note 3.9.c.

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

GAINS AND LOSSES				MINORITY INTERESTS			
Actuarial gains and losses on defined benefit plans	Cumulative translation differences	Total	Equity, Group share	Core equity	Unrealized or deferred gains and losses	Total	Equity
	11	**(7,541)**	**688**	**605**	**(122)**	**483**	**1,171**
			785				785
			1,215				1,215
	6	15	15				15
		271	271				271
		(10)	(10)		4	4	(6)
		265	265		103	103	368
		(2)	(2)				(2)
			(2,040)	(24)		(24)	(2,064)
			312	(169)		(169)	143
	17	**(7,002)**	**1,499**	**412**	**(15)**	**397**	**1,896**
	(25)	(3)	(3)		2	2	(1)
		1,128	1,128		18	18	1,146
		(64)	(64)		(3)	(3)	(67)
		202	202		1	1	203
(1)		(1)	(1)		1	1	
			(904)	(5)		(5)	(909)
(2)		143	273	(1)	(2)	(3)	270
(3)	**(8)**	**(5,597)**	**2,130**	**406**	**2**	**408**	**2,538**

Consolidated cash flow statement

(EUR million)	31/12/12[1]	31/12/13
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(2,064)	(909)
Adjustments for :		
- Depreciation, amortization and other impairment	64	44
- Impairment on bonds, equities, loans and other assets	77	74
- Net (gains) or losses on investments	76	(75)
- Charges for provisions	183	46
- Unrealized (gains) or losses	(38)	250
- Deferred taxes	(12)	(31)
Changes in operating assets and liabilities[2]	(2,973)	(842)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(4,687)**	**(1,443)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(83)	(56)
Sales of fixed assets	33	27
Acquisitions of unconsolidated equity shares	(14)	(4)
Sales of unconsolidated equity shares	52	71
Acquisitions of subsidiaries	10	0
Sales of subsidiaries	0	(2,454)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(2)**	**(2,416)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of new shares	2,000	0
Reimbursement of equity	(158)	0
Issuance of subordinated debt	4	0
Reimbursement of subordinated debts	(1,059)	(51)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**787**	**(51)**
NET CASH PROVIDED	**(3,902)**	**(3,910)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD[1]	**10,377**	**6,469**
Cash flow from operating activities	(4,687)	(1,443)
Cash flow from investing activities	(2)	(2,416)
Cash flow from financing activities	787	(51)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents[2]	(6)	(50)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD[1]	**6,469**	**2,509**
ADDITIONAL INFORMATION		
Income tax paid	(26)	(55)
Dividends received	7	2
Interest received	21,132	15,011
Interest paid	(21,456)	(14,774)

(1) The definition of cash and cash equivalents has been revised in 2013 in order to exclude the financial assets available for sale with remaining maturity of less than 90 days: the amounts of cash and cash equivalents have been restated consequently with EUR -1,449 million as at December 2010, EUR -356 million as at 31 December 2011 and with EUR -2,157 million as at 31 December 2012. We refer here to note 1.1. Accounting policies and valuation methods of the consolidated financial statements point 1.1.25.

(2) By analogy the line changes in operating assets and liabilities has been revised for an amount of EUR 1,058 million as at 31 December 2011 and of EUR 1,801 million as at 31 December 2012 and the effect of echange rate changes and change in scope of consolidation on cash and cash equivalents has been revised for an amount of EUR 35 million as at 31 December 2011.

Net cash inflows from discontinued operations are disclosed in note 4.6 "Information on activities held for sale and discontinued operations".

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents include the following balances with initilal maturities of less than 90 days:

a. Analysis by nature

(EUR million)	31/12/12[1]	31/12/13
Cash and central banks (note 2.0)	1,048	1,542
Interbank loans and advances (note 2.3)	2,845	967
Non current assets held for sale	2,576	0
TOTAL	**6,469**	**2,509**

(1) Following the text published in May 2013 by IFRS IC, the definition of cash and cash equivalents has been revised in 2013 in order to exclude the financial assets available for sale with remaining maturity of less than 90 days: the amounts of cash and cash equivalents have been restated consequently with EUR -2 157 million as at 31 December 2012.

b. Of which restricted cash

(EUR million)	31/12/12	31/12/13
Mandatory reserves[1]	1,015	164
of continuing operations	1,015	164
of discontinued operations	0	0
TOTAL	**1,015**	**164**

(1) Minimum reserve deposits credit institutions must have with the European Central Bank (ECB) or other central banks.

The notes on pages 92 to 168 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods – accounting methods and consolidation scope, significant events in 2013 and post balance-sheet events

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 Dexia La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense.

These consolidated financial statements were authorised for issue by the Board of Directors on 4 April 2014.

The consolidated financial statements are given in millions of euro (EUR) unless otherwise stated. They are compliant with ANC Recommendation 2013-04 issued on 7 November 2013 "on the presentation of the consolidated financial statements of banks prepared in accordance with International Financial Reporting Standards" which cancels and replaces the Recommendation 2009-R.04 issued on 2 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The common 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 European Union (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 2013, including the conditions of application of interest rate portfolio hedging and the possibility to hedge core deposits.

Our accounting principles include mainly elements where an IFRS text allows the possibility of choice.

As in 2012, the corporate and consolidated financial statements of Dexia Crédit Local as at 31 December 2013 have been established in accordance with the accounting rules applicable to a "*going concern*" based on a number of assumptions explained within the framework of previous accounting closures and described hereunder.

These continuity assumptions rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan is based on the possibility for Dexia to develop a certain financing capacity on the markets, more particular through the funding guarantee granted by the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the Group and Dexia Crédit Local's funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programmes under guaranteed format, the successful implementation of short-term issue programmes under guaranteed format in the United States and in Europe and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost and at longer maturities than anticipated under the business plan, as well as a reduced use of central bank funding. These points are detailed in the Chapter "Information on capital and liquidity" of this registration document.

The plan assumes that the different entities maintain their banking licence and this, if the case, despite a possible non-compliance with certain regulatory ratios. It also relies on the maintenance of the rating of Dexia S.A. and Dexia Crédit Local SA.

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were revised within the framework of a review of the entire annual plan. Initially, the macro-economic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives (Cf. Chapter "Activity and results of the period" of this registration document). A new update of the plan will be performed in the 2nd quarter of 2014.

The business plan thus revised and ratified by the Group's Board of Directors on 6 August 2013 does not lead to any significant deviation over the term of the plan compared to the plan initially validated. Some uncertainties remain however, associated with its realisation. The plan is sensitive in particular to the evolution of interest rates and the credit environment, of which an unfavourable development would adversely affect Dexia and Dexia Crédit Local's performance.

The latest update of the plan in June 2013 shows that a decline of 10 basis points of the interest rate at ten years would result in an increase of EUR 1.1 billion of the liquidity need due to the cash collateral, which are the deposits or the financial instruments given by Dexia to its counterparties in order to guarantee interest rate swaps or currency swaps. This need, if the liquidity reserves would not be sufficient, would be financed at the interest rate of the emergency liquidity line (ELA), which is the most expensive funding source, and would generate an additional cost of EUR 170 million over the time period 2014-2022.

More conservative assumptions with respect to rating improvements and/or the tightening of the credit spreads as from 2014 would also have a negative impact on the income statement as well as on the available liquidity reserves and would increase the required level of regulatory capital as from 2014.

The plan is also sensitive to regulatory and accounting developments, in particular the implementation of the IFRS 9 standard. The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing on one hand the financing of a part of Dexia and Dexia Crédit Local's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with the total outstanding issued under the 2013 guarantee will reach up to EUR 40 billion in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investors' appetite for guaranteed debt and secured funding.

If the absorption capacity of the market would be reduced, Dexia would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that EUR 1 billion per year financed at the rate of the ELA instead of the short term guaranteed funding rate, would have an impact of EUR -129 million over the time period 2014-2022. Conversely, if the market appetite for Dexia's guaranteed debt would allow to issue a larger than anticipated amount of guaranteed debt which would allow to reduce, maybe even eliminate, the dependence of Dexia from ELA, this would have a positive impact on the profitability of the plan.

Finally, to this date, some uncertainties remain on the Asset Quality Review (AQR), in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group and for Dexia Crédit Local.

The consolidated financial statements are presented in millions of euro (EUR) unless otherwise stated. They are compliant with ANC Recommendation 2013-04 issued on 7 November 2013 "on the presentation of the consolidated financial statements of banks prepared in accordance with International Financial Reporting Standards" which cancels and replaces the Recommendation 2009-R.04 issued on 2 July 2009.

1.1.1.2. Accounting estimates and judgments

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts reported. 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.

Judgments are made principally in the following areas:

• classification of financial instruments into the appropriate category "loans and receivables", "held to maturity", "available for sale", "held for trading" and "fair value option" for measurement purposes based on instrument's characteristic and Dexia Crédit Local's intention (see 1.1.6.);

• financial instruments for which no quoted market prices in active markets are available are valued by means of valuation techniques. The determination whether or not there is an active market is based on criteria such as volume traded, market liquidity, bid offer spread etc (see 1.1.7.);

• determination of fair value for financial instruments measured at fair value by means of valuation techniques (see 1.1.7.);

• determination on whether Dexia Crédit Local controls the investee, including special-purpose entities (see 1.1.3.);

• identification of non-current assets and disposal groups held for sale and discontinued operations (IFRS 5) (see 1.1.15.);

• hedge accounting (see 1.1.10., 1.1.11.);

existence of a present obligation with probable outflows in the context of litigations (see 1.1.22.);

• identification of impairment triggers (see 1.1.6.5.).

These judgments are entered in the corresponding sections (as referenced above) of the accounting policies.

Estimates are principally made in the following areas:

• determination of the recoverable amount of impaired financial assets and fair value less costs to sell for non-current assets and disposal groups held for sale (see 1.1.6.5., 1.1.15.);

• the measurement of hedge effectiveness in hedging relations (see 1.1.10., 1.1.11.);

• determination of the market value correction to adjust for market value and model uncertainty (see 1.1.7.);

• determination of the useful life and the residual value of property, plant and equipment, and intangible 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., 3.7.);

• estimate of future taxable profit for the recognition and measurement of deferred tax assets (see 1.1.20.);

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

• estimate of the recoverable amount of cash-generating units for goodwill impairment (see 1.16.2.).

We draw the attention on the points included in the note 4.6. "Information on activities held for sale and on discontinued activities" which include judgments and estimates having a material impact on the financial statements as at 31 december 2013.

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

1.1.2.1. IASB and IFRIC texts endorsed by the European Commission and applied as from 1 January 2013

• IFRS 13 "Fair Value Measurement". This standard describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. The change in fair value arising from initial application of IFRS 13 is treated as a change in accounting estimate and recognised in profit and loss. This standard has an impact on the determination of the fair value of Dexia Crédit Local's financial assets and liabilities and has no impact on the measurement of its non-financial assets as they are measured at cost. In order to comply with IFRS 13, applicable as from 1 January 2013, and to be in line with market practices, Dexia Crédit Local uses an OIS curve to determine the value of its collateralized derivatives. Dexia Crédit Local has also adjusted its methodology for calculating the CVA - Credit Value Adjustment and has recognised a DVA - Debit Value Adjustment. The changes were recognised in profit and loss and disclosed in the note 7.1. "Fair value".

• Amendment to IFRS 7 "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities. This amendment has an impact on the notes to Dexia Crédit Local's financial statements disclosed in the note 4.3. "Offsetting financial assets and financial liabilities".

• Amendment to IAS 19 "Employee Benefits". This amendment principally changes the recognition and measurement of post employment defined benefit plans (including removal of the corridor mechanism) and enhances the disclosure requirements for these plans. This amendment does not have a material impact on Dexia Crédit Local's financial statements, due to limited impact of defined benefit plans at Group's level. Following the removal of the corridor method, Dexia Crédit Local recognises actuarial gains and losses in other comprehensive income.

• Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income". This amendment clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability.

• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation does not impact the financial statements of Dexia Crédit Local.

• Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". This amendment does not impact the financial statements of Dexia Crédit Local as Dexia Crédit Local measures these assets at amortised cost.

• Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". This amendment does not impact the financial statements of Dexia Crédit Local, which is no longer a first-time adopter.

• "Annual Improvements 2009-2011 cycle", which are a collection of minor amendments to some IFRS standards. These amendments have no impact on Dexia Crédit Local.

• Amendment to IFRS 1 "Government Loans". This amendment does not impact the financial statements of Dexia Crédit Local, which is no longer a first-time adopter.

1.1.2.2. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from 1 January 2013

• Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance". New standards IFRS 10, IFRS 11 and IFRS 12, including these amendments, are effective as from 1 January 2014. Dexia Crédit Local does not expect these standards to have a material impact on its financial statements. .

• Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27. These amendments are effective as from 1 January 2014 and will not impact the financial statements of Dexia Crédit Local.

• Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets". This amendment is effective as from 1 January 2014 and Dexia Crédit Local does not expect this amendment to have a material impact on its financial statements.

• Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting". This amendment is effective as from 1 January 2014 and Dexia Crédit Local does not expect this amendment to have a material impact on its financial statements.

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

• IFRIC 21 "Levies" (issued by IASB in May 2013). This interpretation is effective as from 1 January 2014 and Dexia Crédit Local does not expect this interpretation to have a material impact on its financial statements.

• Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued by IASB in November 2013). This amendment becomes effective for annual periods beginning on or after 1 July 2014 and Dexia Crédit Local does not expect this amendment to have a material impact on its financial statements, due to limited impact of defined benefit plans at Group's level.

• Amendments to IFRS 9 "Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39" (issued by IASB in November 2013). These amendments introduce three major changes to IFRS 9:

- introduction of a new general hedge accounting model (excluding macro hedging);
- amendment related to early adoption of the requirement for the presentation of fair value changes due to own credit on financial liabilities designated as at fair value through profit or loss;
- removal of the mandatory effective date of IFRS 9.

The impact of these amendments on Dexia Crédit Local's financial statements is currently being assessed.

• "Annual Improvements 2010-2012 cycle" and "Annual Improvements 2011-2013 cycle" (issued by IASB in December 2013), which are a collection of amendments to existing IFRS. These amendments become effective for annual periods beginning on or after 1 July 2014. Dexia Crédit Local does not expect these amendments to have a material impact on its financial statements as those amendments are related to minor adjustments of some IFRS standards.

• The IFRS IC published a text in May 2013 which states that the classification of instruments as "cash equivalents" should be made on the basis of the maturity from the date of acquisition rather than on the basis of the remaining period to maturity at the balance-sheet date. Dexia Crédit Local's financial statements were brought into line with IFRS IC's interpretation, although this classification does not reflect the Group's management practice because Dexia Crédit Local manages its liquidity on the basis of the remaining term and not on the basis of initial term.

1.1.3. CONSOLIDATION

1.1.3.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Dexia Crédit Local, the liabilities incurred by Dexia Crédit Local to former owners of the acquiree and the equity interests issued by Dexia Crédit Local in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Non-controlling interests may be initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. The equity and net income attributable to the non-controlling interests are shown separately in the balance sheet and statement of income respectively.

When the consideration transferred by Dexia Crédit Local in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Subsequent changes in the fair value of the contingent consideration are typically recognised in profit or loss.

When a business combination is achieved in stages, Dexia Crédit Local's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date on which Dexia Crédit Local obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

1.1.3.2. Subsidiaries

Subsidiaries are those entities over whose financial and operating policies Dexia Crédit Local, directly or indirectly, may exercise control.

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 the 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. 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 recognized 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 IAS 39 "Financial Instruments: Recognition and Measurement" or, where applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

1.1.3.3. Jointly controlled entities

A joint venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for via the proportionate consolidation method. In the financial statements, joint ventures are integrated by combining their share of the assets, liabilities, income and expenses on a line-by-line basis. The same consolidation treatment as applied to subsidiaries, is applied to intercompany transactions. Where necessary, the accounting policies of the jointly controlled entities have been amended to ensure consistency with the policies adopted by Dexia Crédit Local.

1.1.3.4. Associates

Investments in associates are initially measured at cost and accounted for using the equity method. 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. The ownership share of net income for the year is recognised as income of associates, whereas the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income and the investment is recorded in the balance sheet at an amount that reflects its share of the net assets increased with related goodwill.

Gains on transactions between Dexia Crédit Local and its "equity method investments" are eliminated to the extent of Dexia Crédit Local's interest. The recognition of losses from associates is discontinued when the carrying amount of the investment reaches zero, unless Dexia Crédit Local has incurred or guaranteed legal or constructive obligations in respect of the associates' undertakings. Where necessary, the accounting policies of the associates have been amended to ensure consistency with the policies adopted by Dexia Crédit Local.

1.1.3.5. Special purpose entities (SPE's)

An SPE shall be consolidated when the substance of the relationship between Dexia Crédit Local and the SPE indicates that the SPE is controlled by Dexia Crédit Local.

Control may arise through the predetermination of the activities of the SPE (operating on 'autopilot') or otherwise. The following circumstances require judgment and may indicate a relationship in which Dexia Crédit Local controls an SPE (which it should consequently consolidate):

- The activities of the SPE are being conducted on behalf of Dexia Crédit Local according to its specific business needs;
- Dexia Crédit Local has the decision-making powers or delegated these powers to obtain the majority of the benefits of the activities of the SPE;
- Dexia Crédit Local has the right to obtain the majority of the benefits of the SPE and may be exposed to its risks; or
- Dexia Crédit Local retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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.

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, such exchange differences are recognised in the statement of income 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 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 approximate exchange rate at the date of the transaction. Outstanding balances denominated in foreign currencies at period- or year-end are translated at period 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 statement of income; except for the foreign exchange impact related to fair value adjustments on available-for-sale bonds, 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

Management uses judgment on the criteria mentioned in the paragraphs below in determining the appropriate classification of its investments 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 on trade date. For these financial assets, Dexia Crédit Local recognises in the statement of income and as of the trade date, any unrealised gains or losses arising from revaluing the contract to fair value at the reporting date. Dexia Crédit Local recognizes 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 are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia Crédit Local.

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, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

1.1.6.2. Loans and advances due from banks and customers

Dexia Crédit Local classifies non-derivative financial assets with fixed or determinable payments that are not quoted on an active market into this category (labelled by IAS 39 as Loans and Receivables – L&R) except for:

- those that Dexia Crédit Local intends to sell immediately or in the near term, which are classified as held for trading, and those that Dexia Crédit Local, upon initial recognition, designates as being at fair value through profit or loss;
- those that Dexia Crédit Local, upon initial recognition, designates as available-for-sale; or
- those for which Dexia Crédit Local may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Dexia Crédit Local recognises interest-bearing loans and advances initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is calculated using the effective interest rate method and recognised in net interest income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

1.1.6.3. Financial instruments measured at fair value through profit or loss

1.1.6.3.1. Loans and securities held for trading

Dexia Crédit Local reports loans held for trading purposes in the line "Financial assets at fair value through profit or loss" at their fair value, with unrealised gains and losses recorded in the statement of income under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest income is accrued using the effective interest rate method and is recognised in net interest income.

Trading securities are securities acquired for generating a profit from short-term fluctuations in price or dealer's margins, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Dexia Crédit Local initially recognises trading securities at fair value and subsequently re-measures them at fair value. All realised and unrealised gains and losses are recorded under "Net gains (losses) on financial instruments at fair value through profit or loss". Interest earned is recognised in net interest income, and dividends received under "Net gains (losses) on financial instruments at fair value through profit or loss".

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 securities held for trading".

1.1.6.3.3. Loans and securities designated at fair value through profit or loss (FVO)

In some cases and if appropriately documented, Dexia Crédit Local can designate a financial asset, a financial liability or a group of financial instruments as "at fair value through profit or loss" where:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- an instrument contains a non-closely related embedded derivative:

- that significantly modifies the cash flows that otherwise would be required by the contract; or
- for which it is not clear, with little or no analysis, that the separation of the embedded derivative is prohibited.

1.1.6.3.4. Liabilities designated at fair value through profit or loss (FVO)

For subsequent measurement, these financial liabilities are subject to the same accounting principles as described earlier under the heading "Financial instruments measured at fair value through profit or loss".

1.1.6.3.5. Derivatives – Trading portfolio

When a derivative is not designated in a hedge relationship, it is deemed to be held for trading. The main types of derivatives are the currency and the interest-rate derivatives.

Dexia Crédit Local, which also makes use of credit derivatives and equity derivatives, initially and subsequently measures all derivatives at the fair value obtained from quoted market prices, discounted cash flow models or pricing models, as appropriate.

All changes in fair value are recognised in the statement of income.

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

Dexia Crédit Local treats certain derivatives embedded in other financial instruments as separate derivatives:

- when their risks and characteristics are not closely related to those of the host contract; and
- when the hybrid contract is not carried at fair value with unrealised gains and losses reported in the statement of income.

1.1.6.4. Financial investments

1.1.6.4.1. Held-to-maturity

Dexia Crédit Local classifies the interest-bearing financial assets with fixed maturity quoted in an active market as "Financial assets held to maturity" (HTM) when management has both the intent and the ability to hold the assets to maturity.

Dexia Crédit Local recognises such interest-bearing financial assets initially at fair value plus transaction costs and subsequently at amortised cost, less any allowance for impairment. Interest is recognised based on the effective interest rate method and recorded in net interest income.

1.1.6.4.2. Available-for-sale

Dexia Crédit Local classifies financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, as "Financial assets available for sale" (AFS).

Dexia Crédit Local recognises financial assets 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 recognises dividend income from variable-income securities under "Net gains (losses) on financial assets available for sale".

Dexia Crédit Local subsequently re-measures available-for-sale financial assets at fair value (see 1.1.7. Fair value of financial instruments). Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised within equity under the heading "Unrealised or deferred gains and losses".

When assets are disposed of, or impaired, Dexia Crédit Local recycles the related accumulated fair value adjustments in the statement of income in "Net gains (losses) on financial assets available for sale". However, the gains and losses on impaired debt instruments are recognised in "Cost of risk".

1.1.6.5. Impairments on financial assets

Dexia Crédit Local records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired as a result of one or more events occurring after initial recognition and evidencing (a) a decline in the expected cash flows and (b) the impact on the estimated future cash flows that can be reliably estimated.

1.1.6.5.1. Financial assets valued at amortised cost

Dexia Crédit Local first assesses whether objective evidence of impairment exists individually for financial assets. If no such evidence exists, the financial assets is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Determination of the impairment

- Specific impairments – If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity are impaired, the amount of the impairment on specifically identified assets is calculated as the difference between the carrying amount and the estimated recoverable amount, being the present value of expected cash flows, including judgments on the amounts recoverable from guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). When an asset is assessed as being impaired, it is excluded from the portfolio on which a collective impairment is calculated. Assets with small balances that share similar risk characteristics follow the principles as described below.
- Collective impairments – Collective impairments cover losses incurred where there is no specific impairment but objective evidence of losses in segments of the portfolio or other lending-related commitments at the balance-sheet date. Dexia Crédit Local estimates them based upon the historical patterns of losses in each segment, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate. Dexia Crédit Local develops for that purpose credit-risk models using an approach that combines appropriate default probabilities and loss-given defaults that are subject to regular back-testing and are based on Basel II data and risk models, consistently with the "incurred-loss" model. Assumptions are made to define the way inherent losses are modelled and to determine the required parameters, based on historical experience.

Accounting treatment of the impairment

Dexia Crédit Local recognises changes in the amount of impairment losses in the statement of income in "Cost of risk". The impairment losses are reversed through the statement of income if the increase in fair value relates objectively to an event occurring after the impairment was recognised.

When an asset is determined by management to be uncollectable, the outstanding specific impairment is reversed via the statement of income under the heading "Cost of risk" and the net loss is recorded under the same heading. Subsequent recoveries are also accounted for under this heading.

1.1.6.5.2. Reclassified financial assets

In rare circumstances, Dexia Crédit Local can reclassify financial assets initially classified as "held for trading" or "available-for-sale" into "held-to-maturity" or "loans and receivables" categories. In such circumstances, the fair value at the date of transfer becomes the new amortised cost of those financial assets. Any fair value adjustment previously recognised under "Other comprehensive income" is "frozen" and amortised on the residual maturity of the instrument. Regarding the calculation of impairment, reclassified financial assets are governed by the same estimates, judgments and accounting principles as financial assets initially valued at amortised cost. If there is objective evidence that reclassified financial assets are impaired, Dexia Crédit Local calculates the amount of the impairment on reclassified assets as the difference between the net carrying amount of the asset and the net present value of the expected cash-flows discounted at the recalculated effective yield at the time of reclassification. Any unamortized part of the frozen AFS reserve is recycled in the statement of income and reported under the heading "Cost of risk" as a part of the impairment.

1.1.6.5.3. Available-for-sale assets

Dexia Crédit Local recognises the impairment of available-for-sale assets on an individual basis if there is objective evidence of impairment as a result of one or more events occurring after initial recognition.

Determination of the impairment

- Equities – For equities quoted in an active market, any significant decline in their price (more than 50% at reporting date) or a prolonged decline (5 years) compared to the acquisition price is considered as an objective evidence of impairment. In addition, management can decide to recognise impairment losses should other objective evidence be available.
- Interest-bearing financial instruments – In the case of interest bearing financial instruments, impairment is triggered based on the same criteria as applied to individually impaired financial assets valued at amortised cost (see 1.6.5.1).

Accounting treatment of the impairment

When available-for-sale equity securities are impaired, the total AFS reserve is recycled and these impairment losses are reported by Dexia Crédit Local in the statement of income in "Net gains (losses) on financial assets available for sale". Additional decline in fair value is recorded under the same heading for equity securities.

When an impairment loss has been recognised on interest-bearing financial instruments, any subsequent decline in fair value is recognised in "Cost of risk" if there is objective evidence of impairment. In all other cases, changes in fair value are recognised in "Other comprehensive income".

Impairments on equity securities cannot be reversed in the statement of income due to later recovery of quoted prices.

1.1.6.5.4. Off-balance sheet exposures

Dexia Crédit Local usually converts off-balance sheet exposures such as credit substitutes (e.g., guarantees and standby letters of credit) and loan commitments into on-balance sheet items when called. However, there may be circumstances such as uncertainty about the counterparty, where the off-balance sheet exposure should be regarded as impaired. Dexia Crédit Local classifies loan commitments as impaired if the credit worthiness of the client has deteriorated to such an extent as to make the repayment of any loan and associated interest payments doubtful.

1.1.6.6. Borrowings

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

The distinction between interest-bearing instruments and equity instruments issued is based on the substance of their underlying contracts rather than their legal form.

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.

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.

All fair values should be approved by Dexia Crédit Local validation team. This is an independent team that is part of Risk Management Department.

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 available for sale and valuations for disclosures) can be summarised as follows:

1.1.7.2.1. Financial instruments measured at fair value (held for trading, fair value option, available for sale, 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

Financial instruments for which no quoted market prices are available in an active market are valued by means of valuation techniques. The models that Dexia Crédit Local uses range from standard market models (discount models) to in-house developed valuation models.

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 own assumptions about unobservable market data. Fair value measurements that rely significantly on own assumptions qualify for level 3 disclosure.

In order to comply with IFRS 13, applicable as from 1 January 2013, and to be in line with market practices, Dexia Crédit Local uses an OIS curve to determine the value of its collateralised derivatives.

Dexia Crédit Local has also adjusted its methodology for calculating the Credit Value Adjustment (CVA) and has recognised the Debit Value Adjustment (DVA) for derivatives. 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 short period of time.
- 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. The Loss Given Default (LGD) parameters are based on market data, except for counterparties belonging to project and local authorities sectors for which historical data are used.

For bonds and loans for which no active market exists, Dexia Crédit Local uses a Mark-to-Model approach. The valuation price is composed of a market price component and a model price component. The weight granted to the model price component reflects an assessment of the activity level of the market.

For its Mark-to-Model price, Dexia Crédit Local uses a discount cash-flow model, based on a discounted spread that incorporates both CDS/credit spread and cash/CDS basis. The credit spread is estimated from the security specific characteristics (sector, rating, Loss Given Default, …) and from the level of some liquid CDS indices. A cash/CDS component is added to the credit component to obtain the bond's spread.

Dexia Crédit Local performs regular back testings for Mark-to-Model prices.

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

Financial instruments reclassified from Trading or AFS to L&R

As a response to the financial crisis, the IASB issued on 13 October 2008 an amendment to IAS 39 permitting the reclassification of certain illiquid financial assets. Dexia Crédit Local decided to benefit from this opportunity to reclassify assets for which an active market, as well as reliable quoted prices, was no longer available.

These assets are valued using Dexia Crédit Local's mark-to-model approach described above for the bonds for which no active market exists.

1.1.7.2.3. Financial instruments classified in HTM and L&R since inception and liabilities

Loans and Receivables, including mortgages loans, and liabilities are valued based on the following valuation principles

General principles

- the carrying amount of loans maturing within 12 months is assumed to reflect their fair value;
- for bonds classified in HTM and L&R since inception and for liabilities, the valuation is done as for bonds classified in AFS.

Interest rate part

- the fair value of fixed-rate loans or liabilities and mortgages reflects interest rate movements since inception;
- embedded derivatives, like caps, floors and prepayment options are included in determining the fair value of loans and receivables or liabilities;
- the fair value of variable-rate loans or liabilities is assumed to be approximated by their carrying amounts.

Credit risk part

- credit spreads changes since inception are reflected in the fair value.

1.1.8. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the statement of income for all interest bearing instruments on an accrual basis using the effective interest rate method based on the initial carrying value (including transaction costs) for financial instruments not valued at fair value through P&L.

Transaction costs are the incremental costs that are directly attributable to the acquisition of a financial asset or liability and are included in the calculation of the effective interest rate. 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.

Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognised based on the interest that was used to discount the future cash flows for measuring the recoverable amount.

1.1.9. FEE AND COMMISSION INCOME AND EXPENSE

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.

For asset management operations, revenue consists principally of unit trust and mutual fund management and administration fees. Revenue from asset management is recognised as earned when the service is provided. Performance fees are recognised when all underlying conditions are met and thus acquired.

Loan commitment fees are recognised as part of the effective interest rate if the loan is granted, and recorded as revenue on expiry if no loan is granted.

1.1.10. HEDGING DERIVATIVES

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 recognized 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, as fair value hedges in the statement of income, 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, Dexia Crédit Local amortises the adjustment to the carrying amount of a hedged interest-bearing financial instrument to the statement of income 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 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 statement of income. Amounts deferred in equity are transferred to the statement of income and classified as revenue or expense in the periods during which the hedged firm commitment or forecast transaction affects the statement of income.

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

As explained in 1.1.1.1. General, 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 in assessing fixed-rate exposure, 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 the hedge of 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 behavioural study for estimating expected maturity date. Dexia Crédit Local may designate as qualifying hedged items different categories of assets or liabilities such as available-for-sale assets or loan portfolios.

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 statement of income.

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 statement of income.

If Dexia Crédit Local does not consider the main parameters as observable 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 statement of income.

In cases of early termination, the remaining portion of day one profit or loss will be recognised in the statement of income. In cases of partial early termination, Dexia Crédit Local will recognize in the statement of income 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 property, plant & equipment and investment properties.

All property, plant & equipment are stated at their cost less accumulated depreciation and 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.

The main useful lives are as follows:

- Buildings (including acquisition costs and non deductible taxes): 20 to 50 years;
- Computer equipment: 3 to 6 years;
- Leasehold improvements, equipment and furniture: 2 to 12 years;
- Vehicles: 2 to 5 years.

An item of property, plant & equipment can be composed of significant parts with individually varying useful lives. In such a case, each part is depreciated separately over its estimated useful life. The following parts have been defined:

- Structure of the building: 50 years;
- Roof and frontage: 30 years;
- Technical installations: 10 to 20 years;
- 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".

Investment properties are those properties held to earn rentals or for capital appreciation. Dexia Crédit Local may also partly use such properties. If the "own use" portions can be sold separately or leased out separately under finance lease, then these portions are accounted for separately. If the "own use" portions cannot be sold separately, the property will be considered as an investment property if Dexia Crédit Local holds an insignificant portion for its own use.

Investment properties are recorded at its cost less accumulated depreciation and impairments. The investment properties are depreciated over their useful lives on a straight-line basis. Depreciation on buildings and other assets given in operating lease are booked under "Other expenses".

1.1.14. INTANGIBLE ASSETS

Intangible assets consist mainly of (a) internally generated and (b) acquired software. The costs associated with maintaining computer software programmes are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes 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 of the 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

1.1.16.1. Measurement of goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

It is measured as the difference between

- The sum of the following elements:
  - Consideration transferred,
  - Amount of any non-controlling interests in the acquiree, and
  - Fair value of the acquirer's previously held equity interest in the acquiree (if any);

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

• Net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, this difference is negative ("negative goodwill"), it is recognised immediately in profit or loss as a bargain purchase gain.

Variations in the percentage of ownership in fully-consolidated companies are considered as transactions with shareholders. Therefore neither fair value adjustments nor goodwill adjustments are made whenever percentage increases or decreases take place without any change in the consolidation method. The difference between the purchase or the sale of a net asset and the purchase or sale price is directly recorded in equity.

1.1.16.2. Impairment of goodwill

The carrying amount of goodwill is reviewed at year-end. For the purpose of this impairment testing, Dexia Crédit Local allocates goodwill to cash-generating units (CGUs) or groups of such units.

When circumstances or events indicate that there may be uncertainty about the carrying amount, goodwill is written down for impairment when the recoverable amount of the CGU or group of cash-generating units to which it has been allocated is lower than the carrying value.

The recoverable amount is the "fair value less cost to sell" or the "value in use" (whichever is the higher). The "value in use" is the sum of the future cash flows that are expected to be derived from a CGU.

The calculation of the "value in use" shall also reflect the time value of money (current market risk-free rate of interest) adjusted for the price for bearing the uncertainty inherent in the asset. This is reflected in the discount rate.

For subsidiaries operating in economically mature and financially stable markets, the discount rate used is the Cost of Equity of Dexia Crédit Local defined under a dividend discount model.

For subsidiaries operating in emerging markets, a specific discount rate is applied on a case-by-case basis.

1.1.17. ACCRUALS AND OTHER ASSETS

Accruals and other assets mainly include collaterals, 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 less any allowance for impairment if applicable or following the applicable standard. Plan assets are recognised in accordance with IAS 19 (revised) requirements.

1.1.18. LEASES

A finance lease is one that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

1.1.18.1. Dexia Crédit Local is the lessee

Dexia Crédit Local grants operating leases principally for the rental of equipment or real estate. Lease rentals are recognised in the statement of income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

If the lease agreement substantially transfers the risk and rewards of ownership of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception the asset is recorded as the present value of the minimum lease payments or the fair value (whichever is the lower) and is depreciated over its estimated useful life unless the lease term is short and the title is not expected to be transferred to Dexia Crédit Local. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policies applicable to that asset. The corresponding rental obligations are recorded as borrowings and interest payments are recorded using the effective interest rate method.

1.1.18.2. Dexia Crédit Local is the lessor

Dexia Crédit Local grants both operating and finance leases.

Revenue from operating leases is recognised in the statement of income 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 and 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. 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 and 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 rates enacted or substantively enacted at the balance-sheet date are used to determine the deferred income tax.
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, associates and joint ventures, 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.
Deferred tax related to the fair value remeasurement of available-for-sale investments and cash flow hedges, and other transactions recorded directly in equity, are also credited or charged directly to equity.

1.1.21. EMPLOYEE BENEFITS

1.1.21.1. Short-term benefits

Short-term benefits, payable within 12 months of the service being rendered, are measured on an undiscounted basis and recognised as an expense.
Employee entitlement to annual leave or long-service leave is recognised when it is granted to the employee. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance-sheet date.

1.1.21.2. Post-employment benefits

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

1.1.21.2.1. Defined benefit plans

Employee benefit obligations are measured at the present value of the estimated future cash outflows using the interest rates of AA-rated corporate bonds, 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 built 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 are recorded separately if those assets are 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), they 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.
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 of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
Qualified internal and external actuaries carry out valuations of these defined benefit obligations. All valuations 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 statement of income 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. Post-employment medical care

The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans.

1.1.21.2.4. 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 statement of income.

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.

1.1.21.5. Share-based payment

Dexia Crédit Local offered equity-settled share-based payments like stock options plans (SOPs) and employee share purchase plans (ESPPs) and cash-settled share-based payments.

The fair value of equity-settled plans was measured at grant date by reference to the fair value of the underlying equity instrument based on valuation techniques and on market data and took into account market-based vesting conditions. The impact of other vesting conditions was reflected in the accounts via an adjustment of the number of equity instruments included in the measurement. The fair value, recognised as a remuneration expense, was credited against equity. In cash-settled share-based payments, the services received and the liability incurred, to pay for those services, were measured at the fair value of the liability. This fair value was measured at the grant date and at each reporting date until settled. The value was recognised as a remuneration expense with a corresponding increase in liabilities.

1.1.22. PROVISIONS

Provisions are mainly recognised for litigations claims, restructuring, and loan commitments.
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 when there is uncertainty about the creditworthiness of the counterparty.

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. 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 comprise balances with a maturity of less than 3 months maturity from the date of acquisition included within cash and balances with central banks, interbank loans and advances.

1.1.26. EARNINGS PER SHARE

The "Basic earnings per share" are calculated by dividing the net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by Dexia Crédit Local and held as treasury shares.

For the "Diluted earnings per share", the weighted average number of ordinary shares in issue and the net income are adjusted to assume conversion of all dilutive potential ordinary shares, such as the convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when the derivatives are "in the money" and their conversion to shares would decrease net earnings per share.

1.2. Group companies and consolidation methods

a. Criteria for consolidation and use of the equity method

Dexia Crédit Local applies all rules pertaining to credit institutions with regard to the consolidation scope resulting from:
- IAS 27 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 on Investments in associates;
- IAS 31 on Interests in joint ventures.

The policies laid down by these standards imply that all companies over which the Group exercises exclusive or joint control or notable influence must be consolidated.
Consequently, all companies exclusively or jointly controlled, or over which the group holds a notable influence, are consolidated.
Pursuant to the principle of a true and fair view of the financial statements of the Group, any companies whose contribution to the consolidated financial statements is not material shall not be included in the consolidation scope.

b. Changes in the consolidation scope compared with 31 December 2012

The following entities were deconsolidated as at 1st January 2013 as a result of the finalization of their disposal: Dexia Municipal Agency (31 January 2013), Dexia Kommunalkredit Bank Polska (28 March 2013) and Dexia Bail (2 April 2013).
The following entities were deconsolidated as at 1st July 2013 and as a result the group consolidated income statement includes their contribution for the first six months of 2013: Public Location Longue Durée (6 September 2013), Dexia Sofaxis (30 September 2013) and Domiserve including its subsidiary Domiserve+ (4 October 2013).
On 12 July 2013, the Austrian banking subsidiary of Dexia Crédit Local, Dexia Kommunalkredit Bank (DKB) was dissolved without liquidation through a cross-border absorption by its 100% parent company Dexia Crédit Local. Dexia Crédit Local acquired as a result all of DKB assets and liabilities.

c. Impact of changes in scope on the consolidated income statement

The changes in scope with significant impact on the 2013 consolidated financial statements are described below in section 1.4.

1.3. Scope of the Dexia Crédit Local Group as at 31 December 2013

DEXIA CRÉDIT LOCAL

- BRANCHES
  - Dexia Crédit Local Dublin branch
  - Dexia Crédit Local New York branch

DOMESTIC SUBSIDIARIES

- DEXIA CLF BANQUE 100%
- DEXIA FLOBAIL 100%
- DEXIA CLF RÉGIONS-BAIL 100%
- CLF IMMOBILIER 100%
- SARL CBX.IA 1 100%
- SARL CBX.IA 2 100%
- SISL (Luxemburg) 100%

INTERNATIONAL SUBSIDIARIES

- DEXIA KOMMUNALBANK DEUTSCHLAND (Germany) 100%
- GROUPE DEXIA CREDIOP (Italy) 70%
  - DEXIA CREDIOP IRELAND (Ireland) 100%
- DEXIA HOLDINGS Inc. (United States) 100%
  - DEXIA FP (United States) 100%
  - DEXIA Global Funding Ltd (United States) 100%
- DEXIA Real Estate Capital Markets (United States) 100%
- DEXIA CREDITO LOCAL MEXICO SA de CV (Mexico) 100%
- DEXIA ISRAEL Bank Ltd (Israel) 65,31%
- DEXIA SABADELL SA (Spain) 100%
  - DEXIA SABADELL, SA (Portugal Branch)
- DEXIA DELAWARE LLC (United States) 100%
- DEXIA CAD funding LLC (United States) 100%
- SUMITOMO MITSUI SPV (Japan) 100%
- DEXIA Management Services Ltd (United Kingdom) 100%
- Wise 2006-1 PLC (Ireland) 100%
- DEXIA LdG Banque SA (Luxemburg) 100%

a. Fully-consolidated subsidiaries

Name	Head office	% interest
Dexia CLF Banque	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
CLF Immobilier	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
Dexia CLF Régions Bail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
Dexia Kommunalbank Deutschland AG	Charlottenstrasse 82 - D - 10969 Berlin Germany	100
Dexia Crediop	Via Venti Settembre 30 - 00187 Roma Italy	70
Dexia Flobail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
SISL	180 rue des Aubépines L1145 Luxembourg	100
Dexia Crediop per la Cartolarizzazione[1]	Via Venti Settembre 30 - 00187 Roma Italy	100
Dexia Crediop Ireland[1]	6 George's Dock IFSC Dublin 1 -Ireland	100
Tevere Finance S.r.l[1]	Via Eleonora Duse, 53 -00197 Roma Italy	100
Crediop per le Obbligazioni Bancarie Garantite S.r.l.[1]	Via Eleonora Duse, 53 -00197 Roma Italy	90
Dexia Israel Bank Ltd.[2]	19 Ha'arbaa str., Hatichon Tower - Tel Aviv PO BOX 709 - Tel Aviv 61200 - Israel	65,31
Dexia Sabadell SA[3]	Calle Mahonia, 2 - 4ª planta, 28043 Madrid - Spain	100
CBX.IA 1	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
CBX.IA 2[4]	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100
Dexia Delaware LLC	15, East North Street - Dover, Delaware 19901- USA	100

(1) Companies consolidated by Dexia Crediop.
(2) 65,99% of voting rights held.
(3) The portion of the capital held in Dexia Sabadell SA is of 79.01%.
Furthermore, as a result of the exercise of a put option on its shares by Banco Sabadell on 6 July 2012, not yet executed, the percentage interest in the company is now 100%.
(4) CBX.IA2 is 70.85% held by Dexia Crédit Local and 29.15% by CBX.IA 1.

Name	Head office	% interest
Dexia Crédito Local México SA de CV Sofom Filial	Protasio Tagle 104 Colonia San Miguel Chapultepec - 11850 Mexico D.F.	100
Dexia Holdings, Inc	445 Park Avenue, 5th floor 10022 NY	100
Dexia FP Holdings Inc[5]	445 Park Avenue, 5th floor 10022 NY	100
Dexia Financial Products Services LLC[6]	445 Park Avenue, 5th floor 10022 NY	100
FSA Asset Management LLC[6]	445 Park Avenue, 5th floor 10022 NY	100
FSA Portfolio Asset Limited (UK)[6]	Shackleton House 4 Battle Bridge Lane London SE1 2 RB	100
FSA Capital Markets Services LLC[6]	445 Park Avenue, 5th floor 10022 NY	100
FSA Capital Management Services LLC[6]	445 Park Avenue, 5th floor 10022 NY	100
FSA Capital Markets Services (Caymans) Ltd[6]	P.O Box 1093 GT, Boundary Hall, Cricket square,Grand Cayman, Cayman Islands, KY1 -1102, Cayman Islands	100
FSA Global Funding LTD[5]	P.O Box 1093 GT, Boundary Hall, Cricket square,Grand Cayman, Cayman Islands, KY1 -1102, Cayman Islands	100
Premier International Funding Co[7]	P.O Box 1093 GT, Boundary Hall, Cricket square,Grand Cayman, Cayman Islands, KY1 -1102, Cayman Islands	0
Cypress Point Funding limited (Cayman)[7]	P.O Box 1093 GT, Boundary Hall, Cricket square,Grand Cayman, Cayman Islands, KY1 -1102, Cayman Islands	23
Dexia CAD funding LLC	445 Park Avenue 7th Floor - New York New York 10022 USA	100
Dexia Real Estate Capital Markets	1180 NW Maple St., Suite 202 - Issaquah, WA 98027 USA	100
Artesia Mortgage CMBS Inc.[8]	1013 Centre Road, Wilmington, New Castle, 19801 Delaware – USA	100
Sumitomo Mitsui SPV	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi Chiyoda-ku Tokyo 100-8233 Japan	100
Dexia Management services limited	200 Aldersgate Street, 13th Floor London EC1A 4HD , UK	100
Dexia LdG Banque SA	69, route d'Esch, L.2953 Luxembourg	100
WISE 2006-1 PLC	Custome House Plaza Block 6 - IFSC Dublin 1-IRELAND	100

(5) Companies consolidated by Dexia Holdings Inc.
(6) Companies consolidated by Dexia FP Holdings Inc.
(7) Companies consolidated by FSA Global Funding Ltd.
(8) Companies consolidated by Dexia Real Estate Capital Markets.

b. Non - fully consolidated subsidiaries

Name	Head office	% interest	Carrying amount of shares including fair-value adjustment (EUR thousand)	Reason for exclusion
CLF Marne La Vallée Participations	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.93	67	Below materiality threshold
CBX. GEST	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.94	674	Below materiality threshold
Dexia Kommunalkredit Bulgaria	19 Karnigradska Sofia 1000 - Bulgaria	100	496	Below materiality threshold
Dexia Kommunalkredit Romania	Str. Faragas nr 21 Sector 1, 010897 Bucuresti, Romania	100	290	Below materiality threshold
Dexia Kommunalkredit Hungary	Horvat u. 14-24 - 1027 Budapest - Hungary	100	354	Below materiality threshold
Dexia Kommunalkredit Adriatic	Radnicka cesta 80 HR - 10000 Zagreb Croatia	100	341	Below materiality threshold
Dexia CLF Organisation	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.89	84	Below materiality threshold
Genebus Lease	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.89	97	Below materiality threshold
DCL Projets	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100	42	Below materiality threshold
Dexia Carbon Capital SARL	69 route d'Esch L 1470 Luxembourg	100	3,557	Below materiality threshold
Floral	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	100	0	Below materiality threshold
DCL Structure	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.76	40	Below materiality threshold
DCL Evolution	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.76	40	Below materiality threshold
DCL Coordination	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.76	40	Below materiality threshold
DCL Gestion	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92 913 La Défense France	99.76	40	Below materiality threshold

c. Joint companies consolidated by the proportionate method

None.

d. Joint companies non consolidated by the proportionate method

None.

e. Associated companies accounted for by the equity method

None.

f. Associated companies not accounted for by the equity method

Name	Head office	% interest	Carrying amount of shares including fair-value adjustment (EUR thousands)	Reason for exclusion
Le Monde Investisseurs	80, bd Auguste Blanqui 75013 Paris France	35,75	233	Below materiality threshold
Istituto per il Credito Sportivo	Via Alessandro Farnese, 1 00192 Roma Italy	21,62	24,658	Below materiality threshold
SPS - Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Via Livorno, 36 00162 Roma Italy	20,4	0	Below materiality threshold
SNC du Chapitre	72, rue riquet 31000 Toulouse - France	50	4	Below materiality threshold
Impax New Energy Investor	67, rue ermesinde L - 1469 Luxembourg	24,99	12,432	Below materiality threshold
European public infrastructure managers	4, rue Jean-Pierre Brasseur - 1258 Luxembourg	20,0	3	Below materiality threshold
SAS THEMIS	1 av Eugène Freyssinet 78280 Guyancourt - France	40,5	798	Below materiality threshold
La Cité	35 rue de la Gare 75019 Paris - France	25,5	413	Below materiality threshold
South European Infrastructure Equity Finance	4, rue Jean-Pierre Brasseur L-1258 Luxembourg	21	15,670	Below materiality threshold

g. Companies which are neither consolidated nor accounted for by the equity method in which the Group has at least a 10% stake and whose carrying amount is over EUR 10 million

None.

1.4. Significant events in 2013

• The Dexia Group actively carried on the implementation of its orderly resolution plan validated by the European Commission.

a. Signature of a tripartite funding guarantee agreement

Within the framework of the Group's orderly resolution plan, a funding guarantee was granted to Dexia by the three Belgian, French and Luxembourg States and came into force on 24 January 2013, for a period extending until 31 December 2021. This guarantee replaces the December 2011 guarantee scheme in relation to new securities issued under guarantee. The 2013 guarantee mechanism covers amounts up to EUR 85 billion in principal over the short and long term. The maximum maturity on the securities issued under the guarantee has been set at 10 years in order to give the Group the possibility to carry its assets at the long term.

The remuneration of the 2013 guarantee has been set at 5 basis points per year, enabling the Dexia Group to achieve a significant reduction of its funding costs. The costs paid in 2012 under the provisional guarantee was an average of 85 basis points.

The short and long-term debt guarantee programs for Dexia Crédit Local are rated respectively at A-1+ and AA by Standard & Poor's, at F1+ and AA by Fitch Ratings and at P1 and Aa3 with stable outlook by Moody's, reflecting the outlook for the sovereign Belgium, the main guarantor.

The guarantee has been validated by the parliaments of all three States. Following challenges regarding the validity of the initial approval process, a reparation law was published on 28 June 2013 in Belgium, containing measures for legislative ratification of the Royal Decrees authorising the grant of the State guarantees to Dexia.

Since the granting of this funding guarantee by Belgium, France and Luxembourg on 24 January 2013, Dexia Crédit Local has launched two long-term State-guaranteed funding programs, in euro (EMTN) and in US dollar (US MTN), which were given a favorable welcome by investors. In 2013 this enabled a total of EUR 7.1 billion in long-term guaranteed funding to be raised via three public benchmark issues: an inaugural issue in Euro on 2 July 2013, with a maturity of 3 years, followed by a 3-year issue in US dollars and a 5-year issue in Euro, as well as private placements.

As at 31 December 2013, the total outstanding amount under the guarantee mechanism set up in 2008 represents EUR 9.6 billion and the outstanding amount under the mechanism set up in 2011 and in 2013 represents EUR 65.7 billion. The total expense recognized by Dexia Crédit Local and its branches as a remuneration of these guarantees was EUR 154 million as at 31 December 2013 (versus EUR 967 million as at 31 December 2012).

b. Finalization of the disposals of operating entities planned in the orderly resolution plan

– On 31 January 2013, Dexia Crédit Local (DCL) finalized the sale of the Société de Financement Local (SFIL), a proprietary holding of the Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency (DMA) to the French State as the majority shareholder, the Caisse des Dépôts and the Banque Postale for an amount of 1 euro.

The accumulated estimated loss recognized up till December 2012 amounted to EUR -1,707 millions (EUR -1,069 million in 2011 and EUR -638 million in 2012). A EUR -143 million additional loss has been recorded in 2013. This additional loss includes a EUR -142 million amount of negative fair value reserves of available for sale financial assets held by Dexia Municipal Agency, recycled and recognized as part of the result of the disposal according to the IFRS5 recommendations. This disposal resulted in a significant decrease (EUR 84 billion) of Dexia Crédit Local's total assets versus 2012.

In other respects, a provision was recognized in 2012 to cover the impacts of the offsetting of derivatives between DCL and DMA. In 2013, in accordance with the IFRS rules on corrections of estimates, a EUR 130 million amount has been recorded in the group's equity for the difference between the realized impact of the settlement of these derivatives and the estimate previously recorded.

– On 28 March 2013, Dexia Kommunalkredit Bank Polska, Dexia Kommunalkredit Bank's polish subsidiary was sold to Getin Noble Bank. This sale had no impact on 2013 consolidated result as a EUR 9.5 million provision had been accrued in 2012 to cover for the loss resulting from the difference between the equity disposed of and the consideration received;
– On April 2, 2013, Dexia Bail was sold to a company controlled by Sofimar. An additional EUR 6 million loss was recorded in the 2013 result taking the overall loss on the sale to EUR 20 million.
– On 6 September 2013, Public Location Longue Durée (Public LLD) was sold to Arval Service Lease, for an amount of EUR 0.4 million with no significant gain.
– On 30 September 2013, Dexia Crédit Local finalized the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT) for a fixed price of EUR 136 million. This sale generated a gain of EUR 64 million in the 2013 consolidated accounts.

Next to the undertakings made by the States to the European Commission, Dexia Kommunalkredit Bank was dissolved without liquidation by way of cross-border merger by absorption by its parent company Dexia Crédit Local.

c. New method for calculating the market value of collateralized derivatives

Applying the IFRS 13 "Fair value Measurement", and in order to comply with the principles of derivative valuation most commonly used on the market, as from its H1 2013 closing Dexia Crédit Local Group has been using a discount curve based on the daily rate (OIS),to calculate the market value of collateralized derivatives. Dexia Crédit Local also adjusted its methodology for calculating the Credit Value Adjustment (CVA), which corresponds to the adjustment of value of derivatives linked to the counterparty's risk and recognised a Debit Value Adjustment (DVA), mirror of CVA, which reflects the impact on the derivatives price of the credit risk taken by the counterpart.
These changes of the parameters used for the valuation of derivatives led, in 2013, to a negative impact on Dexia Crédit Local's consolidated income in the order of EUR 196 million (a loss of EUR 275 million due to the use of OIS, a loss of EUR 27 million on the change of methodology in measuring CVA and a gain of EUR 106 million on DVA). This impact does not correspond to any cash outflow. It will be gradually written back as and when derivatives, mainly used in the context of a hedging relationship, are amortised. It nonetheless constitutes a potentially significant element of volatility in Dexia Crédit Local Group's quarter-by-quarter income, depending on market conditions.

d. Evolution of credit risk

In 2013, the cost of risk of Dexia was impacted by the booking of specific provisions on the US local public sector. A net provision of EUR -90 million was recognized on the city of Detroit, placed under Chapter 9 bankruptcy protection on 18 July 2013 and a EUR -52 million impairment was recorded in the consolidated result following the deterioration of the financial situation of Puerto Rico.

e. Update on structured loan granted by Dexia Crédit Local

In order to reduce the litigation risk related to structured credits, Dexia Crédit Local followed an extremely active desensitisation policy in 2013. These actions were accompanied by new production flows within the framework of the production envelope of EUR 600 million granted by the European Commission. Between February and July 2013, Dexia Crédit Local contacted 222 clients which held at least one structured sensitive credit. Without any specific grounds, all these clients received an offer to refinance their structured loans at a fixed rate. The desensitisation policy allowed to reduce the outstanding of sensitive credits by 22% or an amount of EUR 0.5 billion.
As at 31 December 2013, Dexia Crédit Local had received 219 summonses from clients, of which 41 have an outstanding at the bank, the remainder being on the balance sheet of SFIL. DCL did not make any representation or give any warranty as to the loan assets of CAFFIL at the occasion of its divestment in January 2013, but DCL, as the legal representative of DMA up to the time of the sale, under certain conditions continues to be responsible for damages awarded to a borrower resulting from an infringement of its contractual or regulatory obligations in the origination or commercialisation of structured credits held by CAFFIL at the time of its divestment.

A provision for litigations linked to structured credits in France subject to a writ of summons was recorded for an amount of EUR 63 million in 2013.

f. Other events

Dexia Crediop realized a gain before taxes of EUR 39 million by selling loans recorded in the special purpose vehicle Dexia Crediop per la Cartolarizzazione (DCC).

1.5. Post-balance-sheet events

In January 2014, the European Commission refused to authorize Dexia to repurchase the XS0273230572 financial instrument issued by Dexia Funding Luxembourg (DFL) stating that subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions having been granted State aid. The Undated Deeply Subordinated Notes FR0010251421 issued by Dexia Crédit Local have similar characteristics and are considered likewise by the Commission. The European Commission also extended until 28 June 2014 the authorization for Dexia Crediop to grant new funding to its existing clients within a limit of EUR 200 million.
In a decision dated 7 March 2014, the Superior Court of Nanterre ruled that, concerning the EAPR, in absence of indication of the period reference rate and its duration, the statutory interest rate was applicable. DCL, in connection with SFIL, is currently analysing the appropriate actions to be taken, following this decision.
The loans referred to in the Court's decision fall within the scope of the disposal of the SFIL and, if confirmed, the judgement would have no financial impact for the Dexia Crédit Local Group, as the assets sold are now borne by the CAFFIL. Should the Superior Court of Nanterre's decision be confirmed and become established case law, its extension to other financings on Dexia Credit Local's balance sheet would be likely to introduce significant risks, which at this stage are difficult to assess.

Managment report

Corporate governance and internal control

Consolidated financial statements

Financial statements

Shareholders' meeting

General information

2. Notes on the assets

2.0. Cash and central banks (Item I - Assets)

(EUR million)	31/12/12	31/12/13
Cash	1	1
Mandatory reserve deposits with central banks	1,015	164
Other central bank deposits	32	1,376
TOTAL	**1,048**	**1,541**
of which included in cash and cash equivalents	1,048	1,541

2.1. Financial assets at fair value through profit or loss (Item II - Assets)

This line includes both the portfolio held for trading and all financial assets at fair value through profit or loss (see point regarding "Financial assets at fair value through profit or loss" in note 1.1 Accounting policies and valuation methods).

(EUR million)	31/12/12	31/12/13
Loans and securities	2,224	1,801
Derivatives (see note 4.1.b)	21,155	16,546
TOTAL	**23,379**	**18,347**

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

	31/12/12			31/12/13		
(EUR million)	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
Public sector	0	6	6	0	6	6
Banks	8	0	8	0	0	0
Other	2,190	20	2,210	1,774	21	1,795
TOTAL	**2,198**	**26**	**2,224**	**1,774**	**27**	**1,801**

b. Analysis by nature loans and securities

	31/12/12			31/12/13		
(EUR million)	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
Loans	0	4	4	0	0	0
Bonds issued by public bodies	0	0	0	0	0	0
Other bonds and fixed-income instruments	2,198	22	2,220	1,774	27	1,801
Equities and other variable-income instruments	0	0	0	0	0	0
TOTAL	**2,198**	**26**	**2,224**	**1,774**	**27**	**1,801**

c. Treasury bills and other eligible bills for refinancing with central banks

None

d. Securities pledged under repurchase agreements (repos)

None

e. Analysis by maturity and interest rate

See notes 7.6 and 7.4

f. Analysis of the fair value

See note 7.1

g. Reclassification of financial assets (IAS39 amended)

See note 2.13

2.2. Financial assets available for sale (Item IV - Assets)

a. Analysis by counterparty

(EUR million)	31/12/12	31/12/13
Public sector	16,999	14,981
Banks	12,771	8,700
Other	6,159	5,413
Performing assets	**35,929**	**29,094**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	160	69
Impaired equities and other variable-income instruments	129	135
Impaired assets	**289**	**204**
TOTAL ASSETS BEFORE IMPAIRMENT	**36,218**	**29,298**
Specific impairment	(158)	(74)
TOTAL	**36,060**	**29,224**

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Bonds issued by public bodies	13,278	12,114
Other bonds and fixed-income instruments	22,411	16,774
Equities and other variable-income instruments	529	410
TOTAL ASSETS BEFORE IMPAIRMENT	**36,218**	**29,298**
Specific impairment	(158)	(74)
TOTAL	**36,060**	**29,224**

c. Transfers between portfolios
Nill

d. Convertible bonds included in the available for sale portfolio (positions higher than EUR 50 million)
Nill

e. Analysis by maturity and interest rate
See notes 7.6 et 7.4

f. Analysis of fair value
See note 7.1

g. Analysis of quality
See note 2.12

h. Reclassification of financial assets (IAS39 amended)
See note 2.13

2.3. Interbank loans and advances (Item V - Assets)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Nostri accounts	1,070	549
Reverse repurchase agreements (*reverse repos*)	116	550
Other interbank loans and advances	5,873	4,522
Debt instruments	3,754	3,292
Performing assets	**10,813**	**8,913**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**10,813**	**8,913**
Collective impairment	(7)	(5)
TOTAL	**10,806**	**8,908**
of which included in cash and cash equivalents	*2,845*	*967*

b. Analysis by maturity and interest rate
See notes 7.6 et 7.4

c. Analysis of fair value
See note 7.1

d. Analysis of quality
See note 2.12

e. Reclassification of financial assets (IAS39 amended)
See note 2.13

2.4. Customer loans and advances (Item VI - Assets)

a. Analysis by counterpart

(EUR million)	31/12/12	31/12/13
Public sector	93,095	79,597
Other	55,505	48,518
Performing assets	**148,600**	**128,115**
Impaired loans and advances	937	850
Impaired debt instruments	377	536
Impaired assets	1,314	1,386
TOTAL ASSETS BEFORE IMPAIRMENT	**149,914**	**129,501**
Specific impairment	(389)	(541)
Collective impairment	(416)	(408)
TOTAL	**149,109**	**128,552**
of which included in finance leases	*1,782*	*1,630*

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Loans and advances	92,157	81,421
Debt instruments	56,443	46,694
Performing assets	**148,600**	**128,115**
Impaired loans and advances	937	850
Impaired debt Instruments	377	536
Impaired assets	**1,314**	**1,386**
TOTAL ASSETS BEFORE IMPAIRMENT	**149,914**	**129,501**
Specific impairment	(389)	(541)
Collective impairment	(416)	(408)
TOTAL	**149,109**	**128,552**
of which included in finance leases	*1,782*	*1,630*

c. Analysis by maturity and interest rate

See notes 7.6 and 7.4

d. Analysis of fair value

See note 7.1

e. Analysis of quality

See note 2.12

f. Reclassification of financial assets (IAS39 amended)

See note 2.13

2.5. Financial assets held to maturity (Item VIII - Assets)

a. Analysis by counterpart

(EUR million)	31/12/12	31/12/13
Public sector	361	309
Banks	77	75
Other sectors	15	0
Performing assets	**453**	**384**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**453**	**384**
Specific impairment	0	0
Collective impairment	0	0
TOTAL	**453**	**384**

b. Analysis by nature

(EUR million)	31/12/12	31/12/13
Bonds issued by public bodies	333	287
Other bonds and fixed-income instruments	120	97
TOTAL	**453**	**384**

c. Analysis by maturity and interest rate

See notes 7.6 and 7.4

d. Analysis of fair value

See note 7.1

e. Analysis of quality

See note 2.12

2.6. Tax assets (Items IX and X - Assets)

(EUR million)	31/12/12	31/12/13
Current tax assets	33	17
Deferred tax assets (see note 4.2)	18	42

2.7. Accruals and other assets (Item XI - Assets)

(EUR million)	31/12/12	31/12/13
Other assets	856	718
Cash collateral	36,617	26,542
TOTAL	**37,473**	**27,260**

Other assets

Analysis by nature (EUR million)	31/12/12	31/12/13
Accrued income	9	8
Deferred expense	21	24
Other accounts receivable	804	684
Plan assets	3	0
Inventories	3	0
Others taxes	5	2
Performing assets	**845**	**718**
Impaired assets	**29**	**9**
TOTAL ASSETS BEFORE IMPAIRMENT	**874**	**727**
Specific impairment	(18)	(9)
TOTAL	**856**	**718**

2.8. Tangible fixed assets (Items XV - Assets)

a. Net book value

(EUR million)	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Own use finance lease	Own use owner	Operating lease	
Acquisition cost as at January 1, 2012	**401**	**1**	**81**	**221**	**704**
- Acquisitions	1	0	6	60	67
- Disposals	(1)	0	(3)	(53)	(57)
- Change in scope of consolidation (in)	0	0	1	0	1
Acquisition cost as at December 31, 2012 (A)	**401**	**1**	**85**	**228**	**715**
Accumulated depreciation and impairment as at January 1, 2012	**(59)**	**(1)**	**(64)**	**(74)**	**(198)**
- Depreciation booked	(8)	0	(5)	(30)	(43)
- Disposals	0	0	3	23	26
- Change in scope of consolidation (in)	0	0	(1)	0	(1)
Accumulated depreciation and impairment at December 31, 2012 (B)	**(67)**	**(1)**	**(67)**	**(81)**	**(216)**
Net book value as at 31 Dec. 2012 (A)+(B)	**334**	**0**	**18**	**147**	**499**

(EUR million)	Land and buildings		Office furniture and other equipment		Total
	Own use owner	Own use finance lease	Own use owner	Operating lease	
Acquisition cost as at January 1, 2013	**401**	**1**	**85**	**228**	**715**
- Acquisitions	0	0	2	41	43
- Disposals	0	(1)	(3)	(39)	(43)
- Change in consolidation scope (out)	(6)	0	(14)	(230)	(250)
- Transfers and cancellations	0	0	(1)	0	(1)
Acquisition cost as at December 31, 2013 (A)	**395**	**0**	**69**	**0**	**464**
Accumulated depreciation and impairment as at January 1, 2013	**(67)**	**(1)**	**(67)**	**(81)**	**(216)**
- Depreciation booked	(7)	0	(4)	(15)	(26)
- Disposals	0	1	3	16	20
- Change in consolidation scope (out)	5	0	10	80	95
- Transfers and cancellations	0	0	1	0	1
Accumulated depreciation and impairment as at December 31, 2013 (B)	**(69)**	**0**	**(57)**	**0**	**(126)**
Net book value as at 31 Dec. 2013 (A)+(B)	**326**	**0**	**12**	**0**	**338**

b. Fair value of investment property

Nil.

c. Capitalised expenses of the construction on 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.

2.9. Intangible assets (Item XVI - Assets)

	2012			2013		
(EUR million)	Internally developed software	Other intangible assets (1)	Total	Internally developed software	Other intangible assets (1)	Total
Acquisition cost as at January 1	**155**	**121**	**276**	**167**	**126**	**292**
- Acquisitions	12	4	16	7	3	10
- Disposals	0	0	0	(1)	(3)	(4)
- Change in scope of consolidation (in)	0	1	0	0	0	0
- Change in scope of consolidation (out)	0	0	0	(16)	(5)	(21)
- Translation adjustments	0	0	0	0	(1)	(1)
Acquisition cost as at December 31 (A)	**167**	**126**	**292**	**157**	**120**	**276**
Accumulated depreciation and impairment as at January 1	**(125)**	**(105)**	**(230)**	**(137)**	**(112)**	**(249)**
- Booked	(12)	(7)	(19)	(13)	(7)	(20)
- Change in consolidation scope (out)	0	0	0	11	5	16
- Write-back	0	0	0	1	2	3
- Disposals	0	0	0	0	1	1
- Translation adjustments	0	0	0	0	1	1
Accumulated depreciation and impairment as at December 31 (B)	**(137)**	**(112)**	**(249)**	**(138)**	**(110)**	**(248)**
Net book value as at 31 Dec. (A)+(B)	**30**	**14**	**43**	**19**	**10**	**28**

(1) Other intangible assets include primarily purchased software.

2.10. Goodwill (Item XVII - Assets)

(EUR million)	2012	2013
Acquisition cost as at January, 1	**269**	**267**
- Change in scope of consolidation (out)[2]	0	(73)
- Transfers	0	(194)
- Transfer in disposal groups held for sale[1]	(2)	0
Acquisition cost as at 31 December	**267**	**0**
Accumulated amortization and impairment at January, 1	**(210)**	**(208)**
- Change in scope of consolidation (out)[2]	0	14
- Transfers	0	194
- Transfer in disposal groups held for sale[1]	2	0
Accumulated depreciation and impairment as at December, 31	**(208)**	**0**
Carrying amount as at December, 31	**59**	**0**

(1) 2012: fully impaired goodwill of EUR 2 million in respect of Dexia Kommunalkredit Bank Polska.

(2) Sale of Sofaxis.

2.11. Leases

a. Finance leases

Gross investment in finance leases (EUR million)	31/12/12	31/12/13
Less than 1 year	122	109
1 year to 5 years	418	371
Over 5 years	1,240	1,148
Subtotal[1]	**1,780**	**1,628**
Unearned future finance income on finance leases[2]	0	0
Net investment in finance leases[1]-[2]	**1,780**	**1,628**

Additional information (EUR million)	31/12/12	31/12/13
Uncollectible finance lease receivables included in the provision for loan losses at the end of the period	1	0
Estimated fair value of finance leases	1,780	1,626

Operating leases

Future net minimum lease receivables under operating leases (EUR million)	31/12/12	31/12/13
Less than 1 year	38	2
1 year to 5 years	48	3
Over 5 years	1	0
TOTAL	**87**	**5**
Amount of contingent rents recognized in income during the period	3	0

Following the sale of Dexia Location Longue Durée, the amounts are non-significant.

b. Group as lessee

Finance leases

None

Operating leases

Future net minimum lease payments under non-cancellable operating leases (EUR million)	**31/12/12**	**31/12/13**
Less than 1 year	12	11
1 year to 5 years	52	58
Over 5 years	43	39
TOTAL	**107**	**108**
Future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date	1	1

Lease and sublease payments recognized as expenses during the year (EUR million)	**31/12/12**	**31/12/13**
- Minimum lease payments	5	4
- Sublease payments	0	0
TOTAL	**5**	**4**

2.12. Quality of financial assets

(EUR million)	**31/12/12**	**31/12/13**
Analysis of performing financial assets		
Interbank loans and advances	10,813	8,913
Customer loans and advances	148,600	128,116
Financial assets held to maturity	453	384
Financial assets available-for-sale	35,929	29,094
of which fixed revenue instruments	*35,529*	*28,819*
of which variable revenue instruments	*400*	*275*
Other accounts receivable (note 2.7)	804	684
TOTAL PERFORMING FINANCIAL ASSETS	**196,599**	**167,191**
Collective impairment	(423)	(414)
NET TOTAL PERFORMING FINANCIAL ASSETS	**196,176**	**166,777**

(EUR million)	**Gross amount**		**Specific Impairment**		**Net amount**	
	31/12/12	**31/12/13**	**31/12/12**	**31/12/13**	**31/12/12**	**31/12/13**
Analysis of Impaired financial assets						
Customer loans and advances	1,314	1,386	(389)	(541)	925	845
Financial assets available-for-sale	289	204	(158)	(74)	131	130
of which fixed revenue instruments	*160*	*69*	*(119)*	*(32)*	*41*	*37*
of which variable revenue instruments	*129*	*135*	*(39)*	*(42)*	*90*	*93*
Other accounts receivable (note 2.7)	29	9	(18)	(9)	11	0
TOTAL	**1,632**	**1,599**	**(565)**	**(624)**	**1,067**	**975**
Analysis of performing and Impaired financial assets						
Interbank loans and advances	10,813	8,913	0	0	10,813	8,913
Customer loans and advances	149,914	129,502	(389)	(541)	149,525	128,961
Financial assets held to maturity	453	384	0	0	453	384
Financial assets available-for-sale	36,218	29,298	(158)	(74)	36,060	29,224
of which fixed revenue instruments	*35,689*	*28,888*	*(119)*	*(32)*	*35,570*	*28,856*
of which variable revenue instruments	*529*	*410*	*(39)*	*(42)*	*490*	*368*
Other accounts receivable (note 2.7)	833	693	(18)	(9)	815	684
TOTAL FINANCIAL ASSETS	**198,231**	**168,790**	**(565)**	**(624)**	**197,666**	**168,166**
Collective impairment					(423)	(414)
NET TOTAL	**198,231**	**168,790**	**(565)**	**(624)**	**197,243**	**167,752**

2.13. Reclassification of financial assets (IAS 39 amended)

The Dexia Crédit Local decided to apply the amendment of IAS 39 and IFRS 7 Reclassification of Financial Assets for some assets, and opted to reclassify certain assets from "Financial assets held for trading" to "Financial assets available for sale" or "Loans and advances", as well as from "Financial assets available for sale" to "Loans and advances".

	31/12/12						
Continuing activities (EUR million)	**Carrying amount of assets reclassified, at October 1, 2008**	**Carrying amount of reclassified assets at December 31,2012**	**Fair value of reclassified assets at December 31, 2012**	**Amount not taken through profit or loss due to reclassification**	**Amount not taken through AFS Reserve due to reclassification**	**Premium/ Discount amortization through net income**	**Premium/ Discount amortization through AFS reserve**
From "Financial assets held for trading" to "Loans and advances"	3,565	1,978	1,780	(198)		17	
From "Financial assets held for trading" to "Financial assets available for sale"	2,264	4	4	0		0	
From "Financial assets available for sale" to "Loans and advances"	49,504	45,564	45,687		123		140

	31/12/13						
Continuing activities (EUR million)	**Carrying amount of assets reclassified, at October 1, 2008**	**Carrying amount of reclassified assets at December 31, 2013**	**Fair value of reclassified assets at December 31, 2013**	**Amount not taken through profit or loss due to reclassification**	**Amount not taken through AFS Reserve due to reclassification**	**Premium/ Discount amortization through net income**	**Premium/ Discount amortization through AFS reserve**
From "Financial assets held for trading" to "Loans and advances"	3,565	1,664	1,503	(160)		3	
From "Financial assets available for sale" to "Loans and advances"	49,504	38,887	38,908		21		182

IMPACT OF RECLASSIFICATION ON 2013 EQUITY AND NET INCOME

a. Transfer from "Financial assets held for trading" to "Loans and advances" and "Financial assets available for sale"

The difference between the carrying amount at the reclassification date and the reimbursement amount is amortised over the remaining life of the reclassified asset. The impact of this amortisation on net income for the period is shown in the column "Premium/discount amortisation through profit or loss".

In 2013, Financial assets held for trading reclassified as available for sale left the group's portfolio as a result of their maturity or their disposal to external parties

The difference between the carrying amount of reclassified assets as at 31 December 2013 and their fair value represents the cumulative changes in fair value from reclassification date until 31 December 2013. It also includes the cumulative amortisation of the premium or discount since reclassification. The difference is negative in 2012 and 2013 as spreads have increased.

b. Transfer from "Financial assets available for sale" to "Loans and advances"

The nature of Dexia Crédit Local Group's available-for-sale portfolio is very specific as it consists of securities with very long maturities, resulting in significant changes in value following small shifts in spreads. The impact of the transfer on the cost of risk consists in the net amount of accruals and usage of collective as well as specific provisions.

In 2013, a EUR 10 million loss was recorded as collective impairment (in 2012, the amount was EUR 38 million)

When there is objective evidence of impairment for a financial asset initially classified in "Financial assets available for sale" but reclassified in "Loans and advances" in accordance with the amended IAS 39, any difference between the net present value of expected future cash flows, discounted at the effective interest rate as at the reclassification date, and the carrying amount is recognised as an impairment loss. Consequently, any outstanding unamortised amount recognised in the available-for-sale reserve is also recognised as an impairment loss. This category mainly includes non-economic losses that will be reversed in the future through net interest income.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

The decrease in the carrying amount of reclassified assets comes mainly from partial or early repayments, maturities and sales made in connection with the policy of reducing the Group's balance sheet.
The difference between the carrying amount of a reclassified asset and its fair value reflects the evolution of credit and liquidity spreads on the markets.

c. Impact of reclassifications on the interest margin
For assets transferred from "Financial assets available for sale" to "Loans and advances", the amortisation of the premium/discount on the asset is offset by the amortisation of the fair value reserve frozen at the time of reclassification, with no resulting impact on net interest income.
For assets transferred from "Financial assets held for trading" to "Financial assets available for sale" or "Loans and advances", the impact on net interest income in 2013 amounts to EUR 3 million (EUR 17 million in 2012).

2.14. Transfer of financial assets

The Dexia Crédit Local 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 of those assets.
Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

(EUR million)	31/12/12		31/12/13	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Loans and advances not derecognised due to following transactions:				
Repurchase agreements	13,033	12,765	11,509	11,228
Securities lending agreements	2,218		0	
TOTAL	**15,251**	**12,765**	**11,509**	**11,228**
Financial assets held to maturity not derecognised due to following transactions:				
Repurchase agreements	48	51	13	13
TOTAL	**48**	**51**	**13**	**13**
Financial assets available for sale not derecognised due to following transactions:				
Repurchase agreements	3,215	2,751	1,857	1,933
Securities lending agreements	1,058		0	
Total return swaps	386	516	400	483
TOTAL	**4,659**	**3,267**	**2,257**	**2,416**
Financial assets held for trading not derecognised due to following transactions:				
Repurchase agreements	266	209	130	139
Securities lending agreements	289		0	
TOTAL	**555**	**209**	**130**	**139**
TOTAL	**20,513**	**16,292**	**13,909**	**13,795**

3. Notes on the liabilities

3.0. Central banks (Item I - Liabilities)

(EUR million)	31/12/12	31/12/13
Central banks(1)	50,590	34,274
TOTAL	50,590	34,274

(1) Given the scarcity of interbank liquidity, the Group continued to use in 2012 and 2013 the refinancing facilities offered by central banks.

3.1. Financial liabilities at fair value through profit or loss (Item II - Liabilities)

(EUR million)	31/12/12	31/12/13
Liabilities designated at fair value	3,931	2,326
Derivatives (see note 4.1)	23,900	16,513
TOTAL	27,831	18,839

a. Analysis by nature of liabilities held for trading

Nil

b. Analysis by nature of liabilities designated at fair value

(EUR million)	31/12/12	31/12/13
Non subordinated liabilities	3,931	2,326
TOTAL	3,931	2,326

c. Analysis by maturity and interest rate:

See note 7.4 and 7.6

d. Analysis of fair value:

See note 7.1 and 7.2.h for the own credit risk.

The “Fair Value Option” (FVO), for financial liabilities is mainly used in the following situations:

1) by Dexia Financial Products Inc and FSA Global Funding Ltd for liabilities where the hedge accounting requirements are not met or there is a risk that they will not be met, the FVO is used as an alternative in order to reduce volatility in profit or loss.

The following types of liabilities are subject to the FVO classification:

a) Fixed rate liabilities that are highly customised funding contracts that are tailored to the specific needs of the investor (GIC activities). The own credit spread is calculated based on benchmark spread;

b) FSA Global Funding fixed rate liabilities.

The credit spread used is the Long Term Funding spread used by Dexia for its own funding.

2) in case of issuance of debt with embedded derivatives.

3.2. Interbank borrowings and deposits (Item IV - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Demand deposits	569	33
Repurchase agreements	19,307	16,766
Other debts	15,095	15,170
TOTAL	34,971	31,969

b. Analysis by maturity and interest rate:

See note 7.4 and 7.6

c. Analysis of fair value:

See note 7.1

3.3. Customer borrowings and deposits (Item V - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Demand deposits	2,314	2,198
Saving deposits	1	0
Term deposits	4,938	5,017
Total customer deposits	**7,253**	**7,215**
Repurchase agreements	805	1
Other debts	2,669	1,374
Total customer borrowings	**3,474**	**1,375**
TOTAL	10,727	8,590

b. Analysis by maturity and interest rate:

See note 7.4 and 7.6

c. Analysis of fair value:

See note 7.1

3.4. Debt securities (Item VI - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Certificates of deposit	27,382	28,201
Non-convertible bonds issue(1)	82,443	68,167
TOTAL(2)(3)	109,825	96,368

(1) At 31 December 2013 the amount of covered bonds included under this heading amounted to EUR 24.4 billion (EUR 29 billion in 2012).
(2) At December 31, 2013, the amount issued with the guarantee of States amounted to EUR 76 billion (EUR 74 billion in 2012), of which EUR 19 billion (EUR 14 billion in 2012) have been acquired or subscribed by group companies.
(3) The implementation of the Orderly Resolution Plan has given rise to a dispute with a creditor of Dexia Crédit Local, formerly affiliated with the group and currently in liquidation. The creditor has alleged that one of the main disposals by the group – on the terms required by the Orderly Resolution Plan – has triggered an event of default in respect of the notes held by it. Dexia Crédit Local considers this allegation to be without merit and will contest it vigorously.

b. Analysis by maturity and interest rate

See note 7.4 and 7.6

c. Analysis of fair value

See note 7.1

3.5. Tax liabilities (Items VIII and IX - Liabilities)

(EUR million)	31/12/12	31/12/13
Current tax liabilities	17	6
Deferred tax liabilities (see note 4.2)	45	40

3.6. Accruals and other liabilities (Item X - Liabilities)

(EUR million)	31/12/12	31/12/13
Other liabilities	801	573
Cash collateral	3,140	5,124
TOTAL	**3,941**	**5,697**

Other liabilities

(EUR million)	31/12/12	31/12/13
Accrued costs	247	34
Deferred income	52	32
Grants	90	83
Other assistance received	1	1
Salaries and social charges (payable)	23	9
Other taxes	23	18
Other accounts payable and other liabilities	365	395
TOTAL	**801**	**573**

3.7. Provisions (Item XIII - Liabilities)

a. Analysis by nature

(EUR million)	31/12/12	31/12/13
Litigation claims	28	124
Restructuring	71	27
Defined benefit plans	10	7
Other long term employee benefits	2	2
Provision for off-balance sheet credit commitments	2	7
Onerous contracts	4	3
Other Provisions	4	2
TOTAL PROVISIONS	**121**	**173**

b. Movements

(EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT JANUARY 1, 2012	**29**	**5**	**15**	**5**	**3**	**5**	**62**
Additions	1	70	2	2	2	3	80
Unused amounts reversed and amounts utilized during the year	(2)	(4)	(5)	(5)	(1)	(4)	(21)
AS AT DECEMBER 31, 2013	**28**	**71**	**12**	**2**	**4**	**4**	**121**

(EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT JANUARY 1, 2013	**28**	**71**	**12**	**2**	**4**	**4**	**121**
Additions	101	2	1	6	0	2	112
Unused amounts reversed and amounts utilized during the year	(5)	(45)	(5)	(1)	(1)	(3)	(60)
Changes in accounting rules	0	0	3	0	0	0	3
Change in consolidation scope (out)	0	0	(2)	0	0	(1)	(3)
AS AT DECEMBER 31, 2013	**124**	**28**	**9**	**7**	**3**	**2**	**173**

c. Provisions for pension and other long term benefits

After the sale of most of its operating subsidiaries, Dexia holds only several subsidiaries with significant staff number in a few countries.

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

They mainly concern retirement allowances in France and 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) represent less than 5% of consolidated equity. The provision for retirement and other employee benefits (actuarial liabilities less corresponding assets) amounts to EUR 9 million as at 31/12/13 unchanged from 2012.
The assets for pension plans include 90% of bonds in insurers and pension funds. The impact of a change in interest rate or inflation rate on the consolidated balance sheet is limited.

3.8. Subordinated debt (Item XIV - Liabilities)

a. Analysis by nature

Convertible subordinated debt
Nil.

Non convertible subordinated debt

(EUR million)	31/12/12	31/12/13
Perpetual subordinated notes	0	0
Other subordinated notes	707	644
TOTAL	**707**	**644**

b. Analysis by maturity and interest rate:
See notes 7.4 and 7.6

c. Analysis of fair value:
See note 7.1

d. Detailed information

Currency	Due	Amount in million	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	1/12/14	100.0	a) No early repayment b) No specific conditions c) No conversion	93.25% CMS
EUR	12/02/19	106.4	a) Repayment possible at each due date for interest payments beginning 12/02/2014 with the approval of the General Secretariat of the Banking Commission. b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	TF 4.375 From 12/02/2014 EUR 3M + 72bps
EUR	9/07/17	252.1	a) Repayment possible at each due date for interest payments beginning 09/07/2012 with the approval of the General Secretariat of the Banking Commission. b) Repayment at par value, after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares c) No conversion	EURIBOR 3M + 0.15 From 09/07/2012, EURIBOR 3M + 0.65
EUR	30/06/14	8.8367	a) No early repayment b) No specific conditions c) No conversion	6.250
EUR	30/06/14	7.3028	a) No early repayment b) No specific conditions c) No conversion	6.450
EUR	2/06/14	14.6056	a) No early repayment b) No specific conditions c) No conversion	6.250
EUR	1/06/17	12.3713	a) No early repayment b) No specific conditions c) No conversion	5.080
EUR	1/06/17	16.0662	a) No early repaymen b) No specific conditions c) No conversion	4.875

Currency	Due	Amount in million	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	1/06/18	17.6733	a) No early repayment b) No specific conditions c) No conversion	5.570
EUR	1/06/18	15.9085	a) No early repayment b) No specific conditions c) No conversion	5.625
EUR	29/10/18	19.7	a) Repayment possible at each due date for payment of interest from 02.07.2013 after approval by the Prudential Control Authority. b) Repayment at par value, after all creditors but loans and preference shares c) No conversion	EURIBOR 3M + 0.15 FROM 02/07/2013, EURIBOR 3M + 0.5
ILS	1/01/19	150.0	a) No possibility for Dexia Israel to early repay the bonds (except following prior and written agreement of the Bank of Israel). In case of default, there is an acceleration clause for the investors but subject to the subordination clause. b) The deferred bonds are not used as deposits and the rights attached to them are deferred from the claims of all other creditors except for the rights of creditors with similar deferred bonds. The deferred bonds shall not be pledged as a collateral for a loan granted by Dexia Israel or its subsidiaries and they are not insured with collaterals. No early redemption and no changes in the terms are possible unless a prior and written agreement is received from the Bank of Israel c) No conversion	4.85% linked to CPI
GBP	15/10/58	11.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: at the option of the Issuer following the occurrence of a Tax Redemption Event; 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"), and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million), the Issuer on any Note Payment Date 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) N/A	up to 15/01/2022: LIBOR + 0.3% from 15/01/2022 to redemption date: LIBOR + 0.58%

Currency	Due	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
GBP	15/10/58	5.5	**a) Early Redemption in whole** The Notes are redeemable in whole in any of the following circumstances: at the option of the Issuer following the occurrence of a Tax Redemption Event; 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"), and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million), the Issuer on any Note Payment Date 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) N/A	up to 15/01/2022: LIBOR + 0.39% from 15/01/2022 to redemption date: LIBOR + 0.76%

3.9 Information on Equity

a. Capital stock

On 1st January 2012, Dexia Crédit Local had capital stock of EUR 500,513,102 divided into 87,045,757 shares.

By a decision taken by the Board of directors on 19 December 2012, acting in accordance with the delegated authority granted to it by the Shareholder's meeting of 12 December 2012, Dexia Crédit Local increased its capital by means of a cash contribution of EUR 2 billion (including additional paid-in capital).

This capital increase was realised by Dexia SA by subscribing to 136,612,019 new shares with a par value of EUR 5.75 per share, i.e. a capital increase of EUR 785,519,109,25 issued at the price of EUR 14.64 per share.

Dexia Crédit Local's share capital thus increased from EUR 500,513,102,75 to EUR 1,286,032,212 divided into 223,657,776 shares with a par value of EUR 5.75 per share.

b. Super-subordinated perpetual note

In the last quarter of 2005, Dexia Crédit Local issued EUR 700 million in super-subordinated perpetual notes.

On March 2 2012, Dexia Crédit Local launched a tender offer for the entire outstandings on the super-subordinated notes at a purchase price of 24% (expressed as a percentage of the nominal value).

This offer was opened to institutional investors from 2 to 14 March 2012. A total amount of EUR 644 million was contributed by investors to the offer, i.e. 92% of the issue's nominal amount.

This tender offer was settled on 19 March 2012 and the amount in issue now stands at EUR 56 million.

In accordance with IFRS, the gain related to this redemption (i.e. EUR 486 million net of costs) is recognized in equity, Group share.

c. Other movements

Other movements in core equity in 2012 comprise:

- the effects of the transaction involving the redemption of super-subordinated notes (see point b above),
- the impact of the consolidation of Dexia Holdings Inc., Dexia FP Holdings Inc. and Dexia LdG Banque SA for EUR 301 million,
- the impact of the change in the percentage interest in Dexia Sabadell SA for EUR 169 million.

In 2013, the other changes in the core equity include a EUR 130 million amount representing the difference between the estimated impact accrued in 2012 and the realized impact of the settlement of derivative contracts between Dexia Crédit Local and Dexia Municipal agency, net impact recorded directly in 2013 equity as the IFRS standards on the correction of estimates recommends.

The other variations in the Group other comprehensive income are due to the deconsolidation of Dexia Municipal Agency and Dexia Sofaxis for an amount of EUR 144 million and to the first time application of the IAS 19 revised on Employee benefits for EUR -2 million.

4. Other notes on the balance sheet

4.1. Derivatives

a. Analysis by nature

	31/12/12		31/12/13	
(EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.1 and 3.1)	**21,155**	**23,900**	**16,546**	**16,513**
Derivatives designated as fair value hedges	6,745	28,743	5,045	19,629
Derivatives designated as cash flow hedges	319	1,059	146	819
Derivatives designated as portfolio hedges	2,307	5,958	754	1,817
Hedging derivatives	**9,371**	**35,760**	**5,945**	**22,265**
TOTAL DERIVATIVES	**30,526**	**59,660**	**22,491**	**38,778**

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

	31/12/12				31/12/13			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(EUR million)	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**24,424**	**24,378**	**1,463**	**621**	**34,354**	**33,752**	**1,688**	**545**
Foreign exchange forward	1,761	1,755	57	15	1,328	1,330	1	8
Cross currency swap	6,917	6,826	1,406	591	11,958	11,189	1,522	522
Foreign exchange option	413	412	0	2	0	0	0	0
Other foreign exchange derivatives	15,333	15,385	0	13	21,068	21,232	165	15
Interest rate derivatives	**176,139**	**176,251**	**18,893**	**23,077**	**237,223**	**236,857**	**14,330**	**15,822**
Option-Cap-Floor-Collar-Swaption	1,017	855	124	29	793	567	93	16
Interest rate swap	175,117	174,392	18,769	23,047	236,430	235,974	14,237	15,806
Interest future	5	1,001	0	1	0	315	0	0
Other interest rate derivatives	0	3	0	0	0	0	0	0
Equity derivatives	110	111	1	1	10	10	0	0
Other equity	110	111	1	1	10	10	0	0
Credit derivatives	**6,302**	**1,650**	**798**	**201**	**5,438**	**1,555**	**528**	**145**
Credit default swap	6,302	1,650	798	201	5,438	1,555	528	145
TOTAL	**206,975**	**202,390**	**21,155**	**23,900**	**277,024**	**272,174**	**16,546**	**16,513**

c. Detail of derivatives designated as fair value hedges

(EUR million)	31/12/12				31/12/13			
	Notional amount		Asset	Liabilities	Notional amount		Assets	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**11,047**	**12,564**	**375**	**3,947**	**9,178**	**9,350**	**453**	**2,269**
Cross currency swap	11,047	12,564	375	3,947	9,178	9,350	453	2,269
Interest rate derivatives	**123,862**	**123,671**	**6,271**	**24,794**	**108,407**	**108,321**	**4,514**	**17,359**
Option-Cap-Floor-Collar-Swaption	236	142	0	9	85	20	0	6
Interest rate swap	123,626	123,529	6,271	24,785	108,322	108,302	4,514	17,352
Equity derivatives	**1,612**	**1,521**	**99**	**2**	**647**	**556**	**78**	**1**
Equity option	91	0	58	0	91	0	61	0
Other equity derivatives(1)	1,521	1,521	41	2	556	556	17	1
TOTAL	**136,521**	**137,756**	**6,745**	**28,743**	**118,232**	**118,227**	**5,045**	**19,629**

(1) This position includes hedging derivatives for securities with revenues partly linked to the evolution of a basket of equities.

d. Detail of derivatives designated as cash flow hedges

(EUR million)	31/12/12				31/12/13			
	Notional amount		Asset	Liabilities	Notional amount		Asset	Liabilities
	To receive	To deliver			To receive	To deliver		
Foreign exchange derivatives	**1,256**	**1,397**	**28**	**186**	**422**	**587**	**1**	**260**
Cross currency swap	1,256	1,397	28	186	422	587	1	260
Interest rate derivatives	**6,611**	**6,611**	**291**	**873**	**16,560**	**16,560**	**145**	**559**
Interest rate swap	6,611	6,611	291	873	13,560	13,560	145	559
Forward rate agreement	0	0	0	0	3,000	3,000	0	0
TOTAL	**7,867**	**8,008**	**319**	**1,059**	**16,982**	**17,147**	**146**	**819**

(EUR million)	31/12/12	31/12/13
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)	**0**	**0**

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

Nil.

f. Detail of derivatives designated as portfolio hedges

(EUR million)	31/12/12				31/12/13			
	Notional amount		Asset	Liabilities	Notional amount		Asset	Passif
	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	115,241	115,241	2,307	5,958	22,714	22,723	754	1,817
TOTAL	**115,241**	**115,241**	**2,307**	**5,958**	**22,714**	**22,723**	**754**	**1,817**

4.2. Deferred taxes

a. Analysis by nature

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Deferred tax assets	2,801	107	2,864	0
Unrecognised deferred tax assets	(2,783)	(1)	(2,822)	0
Recognised Deferred tax assets (see note 2.6)(1)	**18**	**106**	**42**	**0**
Deferred tax liabilities (see note 3.5)(1)	**(45)**	**0**	**(40)**	**0**
TOTAL	**(27)**	**106**	**2**	**0**

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

b. Movements for continuing operation

(EUR million)	31/12/12	31/12/13
AS AT 1 JANUARY	**689**	**(27)**
- Charge/credit recognized in the income statement: "Income tax"	(1)	31
- Effect of change in tax rates - impact on the income statement	0	0
- Movements directly recognized in shareholders' equity	(692)	(11)
- Effect of change in tax rates - impact on shareholders'equity	0	0
- Change in scope of consolidation	0	3
- Translation adjustment	1	4
- Other movements(1)	(24)	2
AS AT 31 DECEMBER	**(27)**	**2**

c. Deferred taxes from continuing operations

	31/12/12	31/12/13
Deferred tax assets	2,801	2,864
Deferred tax liabilities	(45)	(40)
DEFERRED TAX	**2,756**	**2,824**

Deferred taxes coming from assets of the balance sheet (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Loans (and loan loss provisions)	(1,101)	375	(578)	530
Securities	(329)	(123)	(700)	(149)
Derivatives	(545)	(876)	(2,350)	(1,863)
Tangible fixed assets and intangible assets	(24)	(5)	(11)	3
Accruals and other assets	4	(1)	4	2
TOTAL	**(1,995)**	**(630)**	**(3,635)**	**(1,477)**

Deferred taxes coming from liabilities of the balance sheet (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Derivatives	2,126	506	3,905	1,900
Borrowings, deposits and debt securities	1,498	317	1,110	(388)
Provisions	96	21	73	(21)
Pensions	6	(1)	4	(1)
Non-deductible provisions	(195)	88	(23)	173
Accruals and other liabilities	(47)	17	(40)	3
TOTAL	**3,484**	**948**	**5,029**	**1,666**

Deferred taxes coming from other elements (EUR million)	31/12/12 Total	31/12/12 of which, change through profit or loss	31/12/13 Total	31/12/13 of which, change through profit or loss
Tax losses carried forward (1)	1,300	(852)	1,457	160
Entity with special tax status	(33)	27	(27)	5
TOTAL	**1,267**	**(825)**	**1,430**	**165**

(1) The Belgian and French States significantly increased their percentage holdings in the Dexia Group as a result of the capital increase of 31 December 2012. This change of shareholder structure turned certain tax losses previously recognised in the United States as non deductible.
The deferred tax relating to these losses was provisioned: a reversal of provision is also recognised for the same amount.

	31/12/12	31/12/13
TOTAL DEFERRED TAXES	**2,756**	**2,824**

d. Expiry date of unrecognised deferred tax assets

	31/12/12			
Nature	**1 to 5 years**	**Over 5 years**	**Unlimited maturity**	**Total**
Temporary difference			(1,554)	(1,554)
Tax losses carried forward	(1,085)	(76)	(68)	(1,229)
TOTAL	**(1,085)**	**(76)**	**(1,622)**	**(2,783)**

	31/12/13			
Nature	**1 to 5 years**	**Over 5 years**	**Unlimited maturity**	**Total**
Temporary difference			(1,439)	(1,439)
Tax losses carried forward	(1,147)	(104)	(132)	(1,383)
TOTAL	**(1,147)**	**(104)**	**(1,571)**	**(2,822)**

4.3. Offsetting financial assets and financial liabilities

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information is required by the amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" which is effective as from 1 January 2013.
The column "Gross amounts set off on the balance sheet" discloses the amounts offset in accordance with the IAS 32 criteria described in note "Accounting principles and rules governing the consolidated financial statements". Amounts set off are related to Dexia's derivative instruments and repurchase agreements traded with clearing houses and the amounts are non-significant.
The column "Impact of Master Netting agreements and similar agreements" includes the amounts of financial instruments that are subject to an enforceable master netting arrangement or similar agreement but which do not meet the offsetting criteria defined by IAS 32. This is the case of Dexia's transactions that are subject to ISDA Master Netting Agreements and Global Master Repurchase Agreements for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the counterparties.
The Dexia Group Master Netting Agreement ("DGMNA") dated as of 2 November 2009 had been concluded between Dexia SA/NV, Banque Internationale à Luxembourg S.A. (formerly known as Dexia Banque Internationale à Luxembourg S.A.), Belfius Bank SA/NV (formerly known as Dexia Bank Belgium SA/NV), Dexia Crédit Local S.A. and Dexia Crediop SpA.
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).
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.
Banque Internationale à Luxembourg is no longer part of the DGMNA since 29 January 2014.
The columns "Cash collateral" and "Financial instruments received or given as collateral" disclose the amounts related to financial collateral. They mainly include Dexia Crédit Local'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.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

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

	31/12/12						
				Related amounts not set off on the balance sheet			
(EUR million)	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
Derivatives held for trading	28,914	0	28,914	(17,673)	(2,103)	0	9,138
Reverse repurchase and similar agreements	116	0	116	0	0	(116)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**29,030**	**0**	**29,030**	**(17,673)**	**(2,103)**	**(116)**	**9,138**

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

	31/12/12						
				Related amounts not set off on the balance sheet			
(EUR million)	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives held for trading	59,239	0	59,239	(17,673)	(35,900)	(3,427)	2,239
Reverse repurchase and similar agreements	19,306	0	19,306	0	(133)	(18,950)	223
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**78,545**	**0**	**78,545**	**(17,673)**	**(36,033)**	**(22,377)**	**2,462**

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

	31/12/13						
				Related amounts not set off on the balance sheet			
(EUR million)	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	Net amounts
Derivatives held for trading	21,059	0	21,059	(12,001)	(1,976)	(57)	7,025
Reverse repurchase and similar agreements	550	0	550	0	0	(550)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**21,609**	**0**	**21,609**	**(12,001)**	**(1,976)**	**(607)**	**7,025**

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

	31/12/13						
				Related amounts not set off on the balance sheet			
(EUR million)	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives held for trading	38,415	0	38,415	(12,001)	(20,870)	(4,933)	611
Reverse repurchase and similar agreements	16,766	0	16,766	0	(851)	(15,882)	33
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	**55,181**	**0**	**55,181**	**(12,001)**	**(21,721)**	**(20,815)**	**644**

4.4. Related-party transactions

	Parent company (Dexia)		Joint venture in which the entity has an interest(1)		Other related parties(2)	
(EUR million)	2012	2013	2012	2013	2012	2013
Loans	415	415	2	0	0	0
Interest income on loans	64	3	0	0	0	0
Assets disposals	140	67	0	0	0	0
Losses on assets disposals	(14)	(9)	0	0	0	0
Borrowings	841	768	0	0	0	0
Interest expense on borrowings	(2)	(6)	0	0	0	0
Net commissions	0	0	0	0	1	(1)
Guarantees issued by the Group	0	0	0	0	0	0
Guarantees received by the Group	0	0	0	0	0	0

(1) These are jointly controlled subsidiaries
(2) This section includes transactions with legal entities included in Dexia Crédit Local's parent company (Dexia SA) perimeter.

a. Related-party transactions

As from 31 December 2012, due to subscription by Belgian and French States to the capital increase initiated by Dexia, Dexia Crédit Local's parent company, they are the two only shareholders having a significant influence on Dexia.
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 Shareholders States are not subject to a separate disclosure.
Loans to the key management have been granted at Market conditions and their amounts is not significant.

b. Compensation of key management personnel

(EUR million)	2012	2013
Short-term benefits(1)	4.7	2.5

(1) Includes salary, bonus and other benefits
Details per person are published in the remuneration report on page 133 of this annual report.

c. Transactions with the Belgian, French and Luxembourg States

Guarantee mechanism in favour of Dexia's financing

2011 Temporary Guarantee Agreement

On 16 December 2011, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("DCL") entered into a First Demand Guarantee Agreement pursuant to the Belgian royal decree of 18 October 2011 "granting a State guarantee for certain loans of Dexia SA and Dexia Crédit Local SA, the French amending finance law no. 2011-1416 of 2 November 2011 (the "French Enabling Law"), and the Luxembourg law concerning the state's budget of revenues and expenses for the 2012 financial year of 16 December 2011 (the "Luxembourg Enabling Law").

Pursuant to this Temporary Guarantee Agreement, the three States guarantee severally, but not jointly, the performance by Dexia and DCL of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued (with a maturity of up to three years) between 21 December 2011 and 31 May 2012. This initial deadline has been extended (i) until 30 September 2012 with the consent of the Parties and of the European Commission pursuant to an Amendment n° 1 of 30 May 2012; and (ii) until 31 January 2013 pursuant to an Amendment n° 3 of 28 September 2012.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum limit of EUR 45 billion in principal (increased up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012), it being understood that the amounts which are so capped include outstanding guaranteed obligations at any moment during the term of this Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

On 21 December 2011, the European Commission authorised this guarantee mechanism on a temporary basis for a period until 31 may 2012, until the Commission has adopted a final decision within the frame of a new State aid investigation procedure. This decision was adopted on 28 December 2012. The temporary guarantee mechanism was authorized until the entry into force of the 2013 Guarantee Agreement described below.

Furthermore, in 2011, the three States, Dexia and DCL have entered into a "Supplemental Agreement" supplementing the Temporary Guarantee Agreement on the obligation to collateralise the issue of guaranteed obligations, subject to exceptions, as well as on allocation priorities of the proceeds of such guaranteed obligations. This Supplemental Agreement was terminated on 24 January 2013 pursuant to a Guarantees Issuance Agreement, which provides the release of first ranking security interests granted by Dexia and DCL in favour of the States. Second ranking security interests granted by DCL on assets provided as security for repayment obligations under ELA (Emergency Liquidity Assistance) lending granted by Banque de France to DCL are maintained.

Early 2012, the three States, Dexia and DCL have entered into a "Supplemental Agreement on Alert Mechanics" with a view to, among other things, supplement the Temporary Guarantee Agreement on information to be provided to the States on the liquidity position of Dexia. This supplemental agreement provides, among other things, the weekly delivery of a consolidated financing plan including Dexia, DCL, and DCL subsidiaries, covering a month period. Early 2012, the three States, Dexia and DCL have finally entered into an "Operational Memorandum" and a "Reporting Protocol" supplementing the Temporary Guarantee Agreement. These agreements remain applicable in the framework of 2013 Guarantee Agreement described below.

Pursuant to the Temporary Guarantee, the following guarantee fee was due to the States:
(i) an upfront commission equal to 0.50% of the EUR 45 billion limit, i.e. EUR 225,000,000 (increased by EUR 50 million as a supplemental fee for the increase of the limit up to EUR 55 billion pursuant to Amendment n°2 of 5 June 2012);
(ii) a monthly fee, calculated on the amount of guaranteed fundings outstanding comprising, depending on the maturity of the guaranteed obligation,
– a fixed or variable amount,
– increased by a supplement depending on Dexia and/or DCL's rating in relation to fundings having an initial maturity of less than 12 months, and
– decreased by a deduction in case of collateralisation of the States guarantee commitment.

As at 31 December 2013, the total outstanding amount of obligations guaranteed by the States pursuant to the 2011 Temporary Guarantee Agreement was EUR 1.5 billion and in 2013, Dexia Crédit Local paid a total monthly remuneration of EUR 28 million to the States for this guarantee.

2013 guarantee agreement

On 24 January 2013, the French, Belgian and Luxembourg States and Dexia SA ("Dexia") and Dexia Crédit Local SA ("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 SA and Dexia Crédit Local SA, 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 Guarantees 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).

As was the case for the 2011 temporary guarantee, in order to be as transparent as possible, the outstanding amount of the guaranteed debt will be disclosed on a daily basis on the website of the Belgian National Bank (http://www.nbb.be/DOC/DQ/warandia/index.htm).

As at 31 December 2013, the total outstanding amount of obligations guaranteed by the States pursuant to the 2013 Guarantee Agreement was EUR 64.2 billion and in 2013, Dexia paid a total monthly remuneration of EUR 31 million to the States for this guarantee.

2008 Guarantee Agreement

On 9 December 2008, the French, Belgian and Luxembourg States and Dexia entered into a First Demand Guarantee Agreement implementing the principles set forth in the Protocol of 9 October 2008 between the three States and Dexia. Pursuant to this guarantee agreement, the three States guarantee severally, but not jointly, the performance by Dexia SA, Dexia Banque Internationale à Luxembourg, Dexia Bank Belgium and Dexia Crédit Local (including certain of their branches and issuance vehicles) of their repayment obligations resulting from certain financings provided by central banks, credit institutions and other institutional or professional investors, provided that these obligations arise from certain financings contracted or issued between 9 October 2008 and 31 October 2009 and maturing at the latest on 31 October 2011.

The States guarantee the repayment obligations in the following proportion:
(i) 60.5% for the Belgian State;
(ii) 36.5% for the French State; and
(iii) 3.0% for the Luxembourg State.

To supplement the Guarantee Agreement on operational and procedural aspects, the three States and Dexia have entered into an Operational Memorandum. This memorandum provides, among other things, for a monitoring process of the guaranteed financings on a daily basis, including a daily publication of the aggregate guaranteed amount and, with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the States issue, on Dexia's request, certificates confirming for each bond issue that it is covered by the Guarantee Agreement.

On 19 November 2008, the European Commission authorised this guarantee mechanism for a period of 6 months as from 3 October 2008, with an automatic extension until the Commission's definitive decision, on condition that a restructuring plan be filed with the Commission. In March 2009, the three States confirmed the extension of the guarantee in accordance with the decision of the European Commission of 13 March 2009.

By an Addendum to the above-mentioned Guarantee Agreement of 9 December 2008, dated 14 October 2009, the Belgian, French and Luxembourg States and Dexia agreed to renew the guarantee scheme for a period of one year, covering financings contracted or issued at the latest on 31 October 2010. The parties also wished to effect certain changes to the guarantee in order to limit the States' intervention to a strict minimum and to allow an orderly exit out of the guarantee within a credible time-horizon. The changes include:
(i) the decrease of the maximum of the total amount of guaranteed financings from EUR 150 billion to EUR 100 billion, with a commitment by Dexia to undertake its best efforts to limit this amount to EUR 80 billion;
(ii) the extension to 4 years of the maximum duration of the new financings contracted or issued; and
(iii) the waiver by Dexia of the benefit of the guarantee, as from 16 October 2009, for all new contracts with a maturity of less than one month and all contracts with an indefinite term.

The Guarantee Agreements provided for the following remuneration to be paid by Dexia to the States:
(i) for financings with a maturity of less than 12 months: 50 bps on an annual basis calculated on the average amount guaranteed financings outstanding; and
(ii) for financings with a maturity of 12 months or more: 50 bps on an annual basis, increased by the lowest of (i) the median of the Dexia CDS 5 years spread calculated between 1 January 2007 and 31 August 2008 or (ii) the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated on the average amount guaranteed financings outstanding.

The renewal and modifications as provided for in the Addendum of 14 October 2009 have been duly authorised by an interim decision of the European Commission for a period of 4 months as from 30 October 2009 (i.e. until 28 February 2010) or until the final decision – if such decision is adopted prior to 28 February 2010 – of the European Commission in the context of the State aid procedure opened on 13 March 2009.

By separate agreement dated 17 March 2010, the Belgian, French and Luxembourg States and Dexia amended and supplemented the above-mentioned Addendum to the Guarantee Agreement of 14 October 2009 to reflect the terms of the final decision of the European Commission in the context of the State aid procedure of 26 February 2010. The changes include:
(i) advancing the latest issue date for guaranteed financings to 31 May 2010 (for financings with a maturity of less than 12 months) resp. 30 June 2010 (for financings with a maturity equal to or of more than 12 months);
(ii) advancing the expiry date of the guarantee on deposits (and equivalents) to 1 March 2010;
(iii) a gradual increase of the remuneration payable by Dexia, *pro rata temporis*, if the outstanding amount of guaranteed obligations exceeds certain thresholds (by 50 bps on the portion of guaranteed obligations between EUR 60 billion and EUR 70 billion, 65 bps on the portion of guaranteed obligations between EUR 70 billion and EUR 80 billion, and 80 bps on the portion of guaranteed obligations above EUR 80 billion).

As at 30 June 2010, Dexia has fully exited the States' guarantee liquidity framework. All outstanding instruments issued pursuant to the 2008 Guarantee Agreement, as amended,

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

before 30 June 2010 will continue to benefit from such guarantee in accordance with their terms and conditions.

As at 31 December 2013, the total outstanding amount of repayment obligations guaranteed by the States pursuant to the 2008 Guarantee Agreement, as amended, was EUR 9.6 billion and in 2013, Dexia paid a total remuneration of EUR 95 million to the States for this guarantee.

All the above mentioned agreements, as well as the total outstanding amount of guaranteed repayment obligations and the list of securities for which the States have issued eligibility certificates are available on the website *www.dexia.com*.

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. 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. This recourse of the States can be exercised either in cash or in the form of instruments representing Tier 1 capital of Dexia (ordinary shares or profit shares). The terms of the profit shares were approved by the Extraordinary Shareholders' Meeting of Dexia on 24 June 2009 and are set out in Article 4bis of the Articles of Association of Dexia.
Dexia issued subscription rights (warrants) to each of the States for a period of 5 years, to allow the States to be compensated, through the issuance of new shares, following the contribution in kind to Dexia of their right of reimbursement. The agreements require that the re-issuance of the existing warrants for a new period of 5 years is submitted to the approval of the general meeting of shareholders every year. In case of failure to re-issue the warrants, a penalty will be applied (500 bps per annum for a period of two years, compounded on the guarantee commission).
Since all Put Portfolio Assets held by FSAM and that could be put to Dexia SA and DCL and (if those Dexia entities did not pay the required amount to FSAM) could require the States to make a payment to FSAM, were sold by the Dexia Group to third parties in 2011, the Belgian and French States have agreed to waive the annual re-issue of the warrants for the year 2014. The warrants issued to the Belgian and French States at the general meeting of shareholders of 11 May 2011, however, remain outstanding for the remainder of their 5-year term.

This guarantee was approved by the European Commission on 13 March 2009.

For a more detailed description of the guarantee for the Financial Products portfolio, see the Special Board Report of 12 May 2009, as last updated by the Special Board Report of 18 March 2011 relating to the re-issue of the warrants, both available on the website of Dexia (*www.dexia.com*).

4.5. Acquisitions and disposals of consolidated companies

a. Acquisitions

There were no significant acquisitions in 2012 and 2013.

b. Disposals

On 31 January 2013, Dexia Crédit Local finalised the sale of the Société de Financement Local (SFIL), a proprietary holding of the Dexia Municipal Agency (renamed Caisse Française de Financement Local) to the French State as the majority shareholder, the Caisse des Dépôts and the Banque Postale.
On 28 March 2013, Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank, was sold to Getin Noble Bank.
On 2 April 2013, the sale of Dexia Bail to Sofimar was finalised.
On 6 September 2013, Dexia Crédit Local finalised the sale of its participation in Public Location Longue Durée (Public LLD) to Arval Service Lease.
On 30 September 2013, Dexia Crédit Local finalised the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT).
On 4 October 2013, the Group sold its 50% holding in Domiserve to Axa Assistance Participations.

The assets and liabilities disposed of were as follows:	As at 31 December 2013					
(EUR million)	Dexia Municipal Agency	Dexia Kommunalkredit Bank Polska	Sofaxis	Domiserve	Public Location Longue Durée	Dexia Bail
Cash and cash equivalents	2,562	14	4	1		14
Financial assets at fair value through profit or loss	2,301					
Hedging derivatives	9,192					
Financial assets available for sale	1,124		230	2	0	
Interbank loans and advances	939			9		
Customers loans and advances	67,681	105				99
Fair value revaluation of portfolio hedges	1,444					
Financial assets held to maturity		10				
Deferred tax assets	112		1	1		
Accruals and other assets	(1,271)	(7)	49	3	19	
Intangible assets and goodwill			69		151	
Intercompany accounts: net position	(5,064)	(18)	11	(2)	(135)	(92)
Central banks						
Financial liabilities at fair value through profit or loss	(970)					
Hedging derivatives	(9,183)					
Interbank borrowings and deposits		(91)	(10)		(9)	
Customer borrowings and deposits				(1)		
Debt securities	(62,478)					
Fair value revaluation of portfolio hedges	(2,873)					
Other liabilities	(3,525)		(281)	(12)	(25)	(9)
Provisions			(3)			
Subordinated debt						
NET ASSETS	**(9)**	**13**	**70**	**1**	**1**	**12**
Sale price	0	13	136	2	0	0
Less: cost of the transaction[1]	(9)		(3)			0
Less: cash and cash equivalents in the subsidiary sold	(2,562)	(14)	(4)	(1)	0	(14)
NET CASH INFLOW (OUTFLOW) ON SALE	**(2,570)**	**(1)**	**129**	**1**	**0**	**(14)**

(1) Transaction cost on DMA: only part of the costs paid in 2013

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

c. Information on Dexia Holdings Inc and Dexia FP Holdings Inc

In connection with the simplification of the Dexia Group's entities, Dexia Holdings Inc. and Dexia FP Holdings Inc. were added to Dexia Crédit Local's consolidation scope at 31 December 2012. Beforehand, on 27 December 2012, Dexia SA recapitalised Dexia Holdings Inc. for an amount of USD 1,755 million to enable it to deal with its negative net position and future losses, and sold Dexia Crédit Local its 10% stake in Dexia Holdings Inc. for EUR 1.

Given that this was a transaction between entities under the common control of Dexia SA, carried out as part of the Dexia Group's restructuring, the addition of the two companies to Dexia Crédit Local's consolidation scope falls outside the scope of application of IFRS 3 "Business combinations", and had a positive impact of EUR 171 million on core equity. The two agreements transferring control of these two companies to Dexia SA on 1 April 2011 (call option on the participating interests held by Dexia Crédit Local, and guarantee in respect of the two companies' future losses) were modified on 27 December 2012.

1. Balance sheet

	Dexia Holdings Inc and Dexia FP Holdings Inc		Dexia Holdings Inc and Dexia FP Holdings Inc	
	As at 31/03/2011		As at 31/12/12	
(EUR million)	Assets and liabilities	Contribution to the consolidated financial statements	Assets and liabilities	Contribution to the consolidated financial statements
Derivatives	590	498	955	797
Financial assets available for sale	1,663	1,663	3,196	3,196
Interbank loans and advances	384	240	397	145
Customer loans and advances	4,963	4,963	993	993
Deferred tax assets	157	157	0	0
Other assets	6	0	1	1
Tangible and intangible assets	2	2	1	1
Intercompany accounts : net liabilities		(2,579)		(1,648)
Financial liabilities at fair value through profit or loss	2,793	2,390	2,272	1,845
Derivatives	471	418	825	744
Interbank borrowings and deposits	5,520	3,166	1,458	8
Customer borrowings and deposits	1,824	1,824	969	969
Other liabilities	64	53	232	132
Provisions	57	57	0	0
Unrealised or deferred gains and losses of financial assets available for sale and cash flow hedges	(1,481)	(1,481)	(384)	(384)
NET ASSETS	**(1,483)**	**(1,483)**	**171**	**171**

2. Income statement

The 2012 net income of Dexia Holdings Inc. and Dexia FP Holdings Inc. is included in equity. It is presented for information purposes in the table below.

(EUR million)	Dexia Holdings Inc and Dexia FP Holdings Inc 2012
NET BANKING INCOME	**60**
Operating expenses	(20)
Cost of risk	(69)
Net gains (losses) on other assets	91
INCOME BEFORE TAX	**62**
Income tax	(3)
NET INCOME	**59**

4.6. Information on activities held for sale and discontinued operations

As at 31/12/12

a. Dexia Municipal Agency

Dexia Crédit Local committed to sell its subsidiary Dexia Municipal Agency in connection with an agreement in principle signed in March 2012. On 28 December 2012, the European Commission approved the principle of the mechanism that the French State sought to implement in order to provide local authorities and healthcare institutions with ongoing access to sources of funding.

In accordance with this mechanism:

- on 31 January 2013, Dexia Crédit Local sold at a price of EUR 1, its entire stake in Dexia Municipal Agency to a new credit institution (Société de Financement Local), owned by the French State (75%), Caisse des Dépôts (20%) and La Banque Postale (5%),
- commercial relations with local authorities and public healthcare institutions are managed by a commercial joint venture owned by La Banque Postale (65%) and Caisse des Dépôts (35%).

In compliance with IFRS 5, Dexia Crédit Local applies the following treatment in its consolidated financial statements:

- Dexia Municipal Agency's assets and liabilities are presented in a separate line on the consolidated balance sheet,
- Dexia Municipal Agency's business is considered to be a discontinued activity and its income statement items are presented in a separate line in the consolidated income statement,
- the difference between the equity sold and the sale price is recognised in "Income from discontinued operations, net of tax": the loss, estimated at EUR -1,069 million at end-2011, now stands at EUR -1,707 million, representing a charge of EUR -638 million in 2012

1. Balance sheet

(EUR million)	Dexia Municipal Agency As at 31/12/12
Cash and cash equivalents	2,400
Financial assets at fair value through profit or loss (derivatives)	2,301
Hedging derivatives	9,192
Financial assets available for sale	1,125
Interbank loans and advances	1,101
Customer loans and advances	67,681
Fair value revaluation of portfolio hedge	1,444
Tax assets	112
Other assets	3
Intercompany accounts : net liabilities	(5,116)
Central banks and postal checking accounts	0
Financial liabilities at fair value through profit or loss (derivatives)	970
Hedging derivatives	9,183
Debt securities	62,477
Fair value revaluation of portfolio hedge	2,873
Tax liabilities	10
Other liabilities	3,515
Unrealised or deferred gains and losses of financial assets available for sale and cash flow hedges	(128)
NET ASSETS	**1,343**

Net assets held for sale	(1,343)
Recognition of prior years' intercompany profit or loss, net of tax	(178)
Sale price	0
Incidental sale expenses	(186)
LOSS ARISING FROM THE FAIR VALUE ADJUSTEMENT OF ACTIVITIES HELD FOR SALE	**(1,707)**

2. Income statement

(EUR million)	Dexia Municipal Agency 2012
NET BANKING INCOME	**258**
Operating expenses	(91)
Cost of risk	(22)
INCOME BEFORE TAX	**145**
Income tax	(48)
NET INCOME	**97**
Loss arising from the fair value adjustement of activities held for sale	(638)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	**(541)**
Earning per share	
Basic (in EUR)	(2.42)
Diluted (in EUR)	(2.42)

3. Net cash flows

(EUR million)	Dexia Municipal Agency 2012
Net cash provided (used) by operating activities	139
Net cash provided (used) by investing activities	0
Net cash provided (used) by financing activities	(15)
TOTAL	**124**

b. Dexia Kommunalkredit Bank Polska

On 7 November 2012, Dexia Crédit Local entered into an agreement with Getin Noble Bank for the sale of Dexia Kommunalkredit Bank Polska, the Polish subsidiary of Dexia Kommunalkredit Bank.

Dexia Crédit Local considers performance of this agreement highly likely, and, in accordance with IFRS 5, applies the following accounting treatment in its consolidated financial statements:

• Dexia Kommunalkredit Bank Polska's assets and liabilities are presented in a separate line on the consolidated balance sheet;

• Dexia Kommunalkredit Bank Polska's business is not considered to be a discontinued activity (no restatement of the income statement presentation);

• the loss in value between the equity sold and the sale price, estimated at 31 December 2012 at EUR 10 million, is recognised in "Net gains (losses) on other assets".

The amount of Dexia Kommunalkredit Bank Polska's assets presented in the line "Non-current assets held for sale" comes to EUR 77 million as at 31 December 2012.

Dexia Kommunalkredit Bank Polska was deconsolidated on 1st January 2013.

As at 31/12/13

a. Dexia Municipal Agency

Dexia Municipal Agency was deconsolidated on 1st January 2013.

1. Balance sheet

Nil.

2. Income statement

(EUR million)	Dexia Municipal Agency 2013
Income from sale	(143)
NET LOSS FROM DISCONTINUED OPERATIONS	**(143)**
Earnings per share	
Basic	(0.64)
Diluted	(0.64)

3. Net cash flows

(EUR million)	Dexia Municipal Agency 2013
Net cash provided (used) by operating activities	
Net cash provided (used) by investing activities	(2,562)
Net cash provided (used) by financing activities	
TOTAL	**(2,562)**

4.7. Share-based payments

Dexia stock option plans (number of options)	2012	2013
Outstanding at beginning of period	11,602,339	10,867,229
Forfeited during the period	(735,110)	(1,120,443)
Outstanding at the end of the period	**10,867,229**	**9,746,786**
Exercisable at the end of the period	**10,867,229**	**9,746,786**

2012				2013			
Range of exercise price	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)	Range of exercise prices	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)
10.28 - 10.73	1,120,443	10.28	0.56	10.28 - 10.73	0	10.28	0.00
10.74 - 12.35	3,968,367	11.78	3.86	10.74 - 12.35	3,968,367	11.78	2.86
12.36 - 16.29	0	0.00	0.00	12.36 - 16.29	0	0.00	0.00
16.30 - 16.46	1,655,993	16.30	2.49	16.30 - 16.46	1,655,993	16.30	1.49
16.47 - 19.21	1,756,602	16.83	3.50	16.47 - 19.21	1,756,602	16.83	2.50
19.21 - 21.02	2,365,824	21.02	4.50	19.21 - 21.02	2,365,824	21.02	3.49
TOTAL	10,867,229			TOTAL	9,746,786		

4.8. Capital shares

	2012	2013
Number of shares authorized	87,045,757	87,045,757
Number of shares issued and fully paid	87,045,757	87,045,757
Number of shares issued and not fully paid	0	0
Par value of the share	**5.75**	**5.75**
Outstanding as of January, 1st	87,045,757	223,657,776
Number of shares issued[2]	136,612,019	0
Outstanding as of December, 31	223,657,776	223,657,776
Rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital	0	0
Number of shares of treasury stock	0	0
Number of shares reserved for issue under stock options and contracts for the sale of shares[1]	NA	NA

(1) Under the stock option plans of Dexia Crédit Local, these are Dexia shares that are granted to the employees.
(2) 136 612 019 new cash shares with a par value of EUR 5,75 per share were issued in connection with the capital increase decided by the Board of Directors on 19 December 2012, acting in accordance with the delegated authority granted to it by Dexia Crédit Local's shareholders' Meeting of 12 December 2012.

See note 4.7. Share-based payments

4.9. Exchange rates

The primary exchange rates are presented in the following schedule.

		2012		2013	
		Closing rate (1)	Average rate (2)	Closing rate (1)	Average rate (2)
Australian dollar	AUD	1.2735	1.2452	1.54120	1.39450
Canadian dollar	CAD	1.3169	1.2910	1.46510	1.37675
Swiss Franc	CHF	1.2074	1.2040	1.22730	1.22915
Czech Koruna	CZK	25.1095	25.1541	27.36200	26.03192
Danish Krone	DKK	7.4608	7.4448	7.46035	7.45784
Euro	EUR	1.0000	1.0000	1.00000	1.00000
British Pound Sterling	GBP	0.8137	0.8115	0.83330	0.85019
Hong-Kong dollar	HKD	10.2451	10.0216	10.69055	10.31981
Hungarian forint	HUF	291.1000	288.1549	297.12500	297.95875
Shekel	ILS	4.9388	4.9687	4.77460	4.78721
Japenese Yen	JPY	114.2150	103.4577	144.70500	130.28542
Won	KRW	1405.9150	1446.5134	1455.58000	1456.16583
Mexican Peso	MXN	17.1702	16.9718	18.02095	17.11752
Norwegian Krone	NOK	7.3530	7.4658	8.37900	7.87008
New Zealand dollar	NZD	1.6041	1.5869	1.67285	1.62988
Swedish Krona	SEK	8.5982	8.6794	8.88240	8.66808
Singapore dollar	SGD	1.6146	1.6074	1.74125	1.66770
New Turkish Lira	TRY	2.3575	2.3108	2.96435	2.56705
US Dollar	USD	1.3220	1.2921	1.37880	1.33045

(1) Rate observed on Reuters at 4:45 pm on the last business day of the month of December.
(2) Average of the closing rates used by the Dexia Group.

4.10 Capital management

The information regarding capital management is presented in the management report pages 22 to 23.

5. Notes on the income statement

5.1. Interest income - Interest expense (Items I and II - Income statement)

(EUR million)	2012	2013
Interest income	**16,890**	**14,392**
a) Interest income on assets not measured at fair value	**6,266**	**5,465**
Cash and central banks	4	7
Interbank loans and advances	382	331
Customer loans and advances	4,539	3,876
Financial assets available for sale	1,166	1,142
Financial assets held to maturity	25	22
Impaired assets	4	4
Other	146	83
b) Interest income on assets measured at fair value	**10,624**	**8,927**
Loans and securities held for trading	47	41
Loans and securities designated at fair value	2	1
Derivatives held-for-trading	6,354	5,470
Derivatives used for hedging	4,221	3,415
Interest expense	**(17,861)**	**(14,248)**
a) Interest expense on liabilities not measured at fair value	**(5,374)**	**(3,236)**
Interbank borrowings and deposits	(1,359)	(762)
Customer borrowings and deposits	(179)	(157)
Debt securities	(2,822)	(2,126)
Subordinated debt	(15)	(8)
Amounts covered by sovereign guarantees	(980)	(165)
Other	(19)	(18)
b) Interest expense on liabilities measured at fair value	**(12,487)**	**(11,012)**
Liabilities held for trading	0	(1)
Liabilities designated at fair value	(85)	(131)
Derivatives held-for-trading	(6,288)	(5,658)
Derivatives used for hedging	(6,114)	(5,222)
Net interest income	**(971)**	**144**

5.2. Fees and Commissions (Items III and IV - Income statement)

	2012			2013		
(EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	31	(8)	23	12	(5)	7
Insurance activity and broking	45	(2)	43	25	(1)	24
Purchase and sale of securities	0	(4)	(4)	0	(5)	(5)
Purchase and sales of shares of Mutual Funds	1	0	1	0	0	0
Payment services	0	(3)	(3)	0	(4)	(4)
Commissions paid to business providers	0	0	0	0	(1)	(1)
Financial engineering	1	0	1	0	0	0
Services on securities other than custodial services	0	(2)	(2)	0	(2)	(2)
Custodial services	4	(1)	3	4	(1)	3
Issuance and underwriters of securities	2	0	2	3	0	3
Intermediation on repo and reverse repo	6	(18)	(12)	0	(18)	(18)
Other	23	(9)	14	11	(7)	4
TOTAL	**113**	**(47)**	**66**	**55**	**(44)**	**11**

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

5.3. Net gains (losses) on financial instruments at fair value through profit or loss (Item V - Income statement)

(EUR million)	2012	2013
Net trading income	(94)	(93)
Net result of hedge accounting	11	(251)
Net result of financial instruments designated at fair value through profit or loss[1]	3	23
Change in own credit risk[2]	(134)	(77)
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment)[3]		(27)
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)	0	106
Net result of foreign exchange transactions	(36)	(21)
TOTAL	**(250)**	**(340)**
(1) among which trading derivatives included in a fair value option strategy	(12)	(435)

(2) see also note 7.2.H. Credit risk on financial liabilities designated at fair value through profit or loss

(3) In 2012, only a CVA of EUR 32 million on non-collateralised derivatives was recognised and booked in Net trading income.

All interest received and paid on assets, liabilities and derivatives is recorded in the net interest income.

Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions only include the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

The change in net result from hedge accounting is mainly due to the use, since the closing as at 30 June 2013,of a discount curve based on the overnight rate (OIS) to calculate the market value of collateralised derivatives.

Analysis of net result of hedge accounting

(EUR million)	2012	2013
Fair value hedges	**19**	**(249)**
Fair value changes of the hedged item attributable to the hedged risk	1,173	(5,664)
Fair value changes of the hedging derivatives	(1,154)	5,415
Portfolio hedge	**(8)**	**(2)**
Fair value changes of the hedged item	515	(389)
Fair value changes of the hedging derivatives	(523)	387
TOTAL	**11**	**(251)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	2	1

5.4. Net gains (losses) on financial assets available for sale (Item VI - Income statement)

(EUR million)	2012	2013
Dividends on securities available for sale	7	2
Net gain (loss) on disposals of financial assets available for sale(*)	210	23
Impairment of variable-income securities available for sale	(8)	(5)
Net gain (loss) on disposals of loans and advances	(119)	30
Net gain (loss) on disposals of debt securities(1)	300	(6)
TOTAL	**390**	**44**

(*) except for gains and losses on impaired fixed-income securities, which are included in cost of risk.

(1) In 2012, this item notably includes gains on the redemption of subordinated issues by Dexia Crédit Local for EUR 256 million and EUR 46 million for the repurchase of its own debts by Dexia Kommunalbank Deutshland AG.

5.5. Other income (Item VII - Income statement)

(EUR million)	2012	2013
Rental income	41	24
Other income	14	14
TOTAL	**55**	**38**

5.6. Other expenses (Item VIII - Income statement)

The item amounted to EUR -117 million as at 31/12/2013 against EUR - 42 million as at 31/12/2012. This item includes impairment and depreciation on furniture and equipment data in operational leasing, other operating expenses, provisions for litigation and other write-downs and amortization on investment properties.

As at 31/12/2013, it included EUR 85 million of fees and litigation reserves of which an amount of EUR 63 million related to a litigation provision for structured loans in France subject to a writ of summons.

5.7. Operating expenses (Item X - Income statement)

(EUR million)	2012	2013
Payroll costs	(260)	(164)
General and administrative expenses	(86)	(169)
TOTAL	**(346)**	**(333)**

a. Payroll Costs

(EUR million)	2012	2013
Compensation and salary expense	(148)	(151)
Social security and insurance expense	(40)	(39)
Employee benefits	(11)	(9)
Restructuring costs	(60)	38
Other	(1)	(3)
TOTAL	**(260)**	**(164)**

Employee information

	2012			2013		
(Average full time equivalent)	Fully consolidated	Proportionally consolidated	Total	Fully consolidated	Proportionally consolidated	Total
Executive staff	38	3	41	22	0	22
Administrative staff	2,156	24	2,180	1,291	0	1,291
Non-administrative and other personnel	6	0	6	9	0	9
TOTAL	**2,200**	**27**	**2,227**	**1,322**	**0**	**1,322**

(Average full time equivalent)	2012 France	Italy	Spain	Other Europe	USA	Other non European	Total
Executive staff	17	2	1	7	10	4	41
Administrative staff	1,625	192	40	143	142	38	2,180
Non-administrative and other personnel	0	0	0	0	1	5	6
TOTAL	**1,642**	**194**	**41**	**150**	**153**	**47**	**2,227**

(Average full time equivalent)	2013 France	Italy	Spain	Other Europe	USA	Other non European	Total
Executive staff	6	2	1	4	5	4	22
Administrative staff	775	183	33	126	136	38	1,291
Non-administrative and other personnel	0	0	0	0	4	5	9
TOTAL	**781**	**185**	**34**	**130**	**145**	**47**	**1,322**

b. General and administrative expenses

(EUR million)	2012	2013
Cost of premises	(5)	(4)
Rent expense[(1)]	(13)	(9)
Fees	(28)	(51)
Marketing, advertising and public relations	(5)	(5)
IT expense	(23)	(37)
Software, research and development	(7)	(5)
Maintenance and repair	(4)	(4)
Restructuring costs	(6)	2
Insurance (except related to pensions)	(4)	(6)
Stamp duty	(2)	(1)
Other taxes	(32)	(30)
Other general and administrative expenses	(40)	(19)
Subtotal	***(169)***	***(169)***
Income from general fees charged to Dexia Municipal Agency	83	0
TOTAL	**(86)**	**(169)**

(1) This amount does not include rent charges of IT materials included in the line «IT expense»

5.8. Depreciation, amortisation and impairment of tangible fixed assets and intangible assets (Item XI - Income Statement)

Depreciation and Amortisation (EUR million)	2012	2013
Depreciation of land and buildings, office furniture and other equipment	(8)	(8)
Depreciation of other tangible fixed assets	(5)	(4)
Amortization of intangible assets	(20)	(20)
TOTAL	**(33)**	**(32)**

Impairment (EUR million)	2012	2013
Impairment on intangible assets	0	3
TOTAL	**0**	**3**

Losses or gains (EUR million)	2012	2013
TOTAL	**(1)**	**(3)**
TOTAL	**(34)**	**(32)**

5.9. Cost of risk (Item XIII - Income statement)

(EUR million)	2012			2013		
	Collective impairment	Specific impairment and losses	TOTAL	Collective impairment	Specific impairment and losses	TOTAL
Credit (loans, commitments and securities held to maturity)	(104)	21	(83)	6	(213)	(207)
Fixed-income securities available for sale		(282)	(282)		10	10
TOTAL	**(104)**	**(261)**	**(365)**	**6**	**(203)**	**(197)**

Detail of collective and specific impairments

Collective impairment	2012			2013		
(EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Loans and securities held to maturity	**(329)**	**225**	**(104)**	**(207)**	**213**	**6**
TOTAL	**(329)**	**225**	**(104)**	**(207)**	**213**	**6**

Specific impairment	2012				
(EUR million)	Additions	Recoveries	Losses [1]	Collections	Total
Customer loans and advances	(155)	185	(155)	2	(123)
Financial assets held to maturity	0	141	0	0	141
Accruals and other assets	(2)	2	0	0	0
Off-balance sheet commitments	(3)	6	0	0	3
TOTAL CREDIT	**(160)**	**334**	**(155)**	**2**	**21**
FIXED-INCOME SECURITIES	**(335)**	**2,884**	**(2,899)**	**68**	**(282)**
TOTAL	**(495)**	**3,218**	**(3,054)**	**70**	**(261)**

(1) Mostly linked to losses on Greece covered by provisions in 2012.

Specific impairment	2013				
(EUR million)	Additions	Recoveries	Losses	Collections	Total
Customer loans and advances	(279)	115	(54)	0	(218)
Accruals and other assets	(2)	9	0	3	10
Off-balance sheet commitments	(6)	1	0	0	(5)
TOTAL CREDIT	**(287)**	**125**	**(54)**	**3**	**(213)**
FIXED-INCOME SECURITIES	**0**	**86**	**(76)**	**0**	**10**
TOTAL	**(287)**	**211**	**(130)**	**3**	**(203)**

5.10. Net gains (losses) on other assets (Item XVI - Income statement)

(EUR million)	2012	2013
Gains/losses on the disposal of assets held for sale	(10)	0
Net gains (losses) on disposals of other fixed assets	2	3
Net gains (losses) on disposals of consolidated equity investments[1]	(14)	56
TOTAL	**(22)**	**59**

(1) This item includes:
in 2012:
- an adjustment in the value of Dexia Bail representing a loss of EUR 14 million, based on the expected cash flows from this activity
in 2013:
- a gain of EUR 64 million on the sale of Sofaxis
- an additional loss of EUR 6 million on Dexia Bail

5.11. Income tax (Item XIX - Income statement)

Detail of tax expense (EUR million)	2012	2013
Income tax on current year	(3)	(48)
Deferred taxes on current year	(14)	16
TAX ON CURRENT YEAR RESULT (A)	**(17)**	**(32)**
Income tax on previous year	2	(11)
Deferred taxes on previous year	12	15
Provision for tax litigations	(1)	(15)
OTHER TAX EXPENSE (B)	**13**	**(11)**
TOTAL (A) + (B)	**(4)**	**(43)**

Effective tax charge in 2013

The corporate tax rate in France is 38%, which includes the corporate tax increase bill passed through the parliament in 2013.

Insofar as this additional contribution only applies to 2013 and 2014 results, and the fact that the recovery of deferred taxes extends to beyond 2014, the deferred tax rate for Dexia Crédit Local Group companies incorporated under French law remains at 34.43%.

The rate applied to foreign subsidiaries results is the one applicable locally according to the national legislation.

The average tax rate recorded in 2013 is -4.44%.

The difference with the French rate can be explained as follows:

(EUR million)	2012	2013
Net income before tax	**(1,519)**	**(723)**
Tax base	**(1,519)**	**(723)**
Statutory tax rate	34.43%	34.43%
Theoretical corporate income tax at the standard rate	**523**	**249**
Impact of differences between foreign tax rates and the standars French tax rate	(9)	25
Tax effect of non-deductible expenses	(55)	(134)
Tax effect of non-taxable income	23	160
Impact of items taxed at a reduced rate	1	6
Tax effect of change in tax rates	(1)	4
Other additional taxes or tax savings(1)	(1,005)	(19)
Tax effect from reassessment of unrecognised deferred tax assets	506	(323)
Tax on current year	**(17)**	**(32)**
Effective tax rate	**(1.12%)**	**(4.44%)**

(1) The Belgian and French states significantly increased their percentage holdings in the Dexia Group as a result of the capital increase of 31 December 2012. This change of shareholder structure renders non deductible certain losses previously recognised in the United States. The deferred tax relating to these losses was provisioned: an equal and opposite reversal of provision is also recognized.

Tax consolidation group

Dexia SA établissement stable in France is the head of the tax group, consolidating together the following companies:

Dexia Crédit Local
Floral
CLF Immobilier
CLF Marne la Vallée Participation
GENEBUS Lease
Dexia CLF Organisation
CBX Gest
Dexia Flobail
CBX. IA 1
CBX. IA 2
DCL INVESTISSEMENTS
DCL PROJETS
DEXIARAIL
Dexia CLF Banque
DCL Evolution
DCL Structure

Tax savings made by the tax group, as a result of losses, are recorded by Dexia SA établissement 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.

5.12. Earnings per share

a. Basic earnings per share

Basic earnings per share are obtained by dividing "Net income, Group share" by the weighted average number of ordinary shares in issue during the year, less the average number of ordinary shares purchased by the company and held as treasury stock.

	2012	2013
Net income, Group share (EUR million)	(2,040)	(904)
Weighted average number of common shares (millions)	224	224
Basic earnings per share (in EUR)	(9.12)	(4.04)
- of which, related to continuing activities	*(6.70)*	*(3.40)*
- of which, related to discontinued activities	*(2.42)*	*(0.64)*

b. Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all dilutive potential ordinary shares resulting from share options granted to employees and from class B shares . For stock options, the calculation of the number of shares that could have been acquired at fair value (calculated as the average annual share price) is based on the monetary value of the subscription rights attached to the outstanding options.
The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the shares options.
The potential ordinary shares calculated as above are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share.
They are antidilutive and not taken into account when their conversion to ordinary shares would decrease loss per share.
No adjustment is made to net income attributable to equity holders of the parent.

	2012	2013
Net income, Group share (EUR million)	(2,040)	(904)
Weighted-average number of common shares (millions)	224	224
Adjustment for stock-options (millions)	0	0
Weighted average number of common shares used for the calculation of diluted earnings per share (millions)	224	224
Diluted earnings per share (in EUR)	(9.12)	(4.04)
- of which, related to continuing activities	*(6.70)*	*(3.40)*
- of which, related to discontinued activities	*(2.42)*	*(0.64)*

6. Notes on off-balance sheet items

6.1. Regular way trade

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Assets to be delivered	1,758	0	580	0
Liabilities to be received	1,479	0	859	0

6.2. Guarantees

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Guarantees given to credit institutions	438	1	604	0
Guarantees given to customers	2,851	0	2,139	0
Guarantees received from credit institutions	1,370	79	1,295	0
Guarantees received from customers	15,918	4,491	15,774	0
Guarantees received from the state	74,377	0	76,702	0

6.3. Loan commitments

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Unused lines granted to credit institutions	7	0	12	0
Unused lines granted to customers	7,127	317	4,027	0
Unused lines granted from credit institutions(1)	2,082	0	15,984	0
Unused lines granted from customers	0	0	865	0

(1) The increase as at 31/12/2013 is related to the reduction of funding from central banks

6.4. Other commitments

(EUR million)	31/12/12 Continuing operations	31/12/12 Disposal groups held for sale	31/12/13 Continuing operations	31/12/13 Disposal groups held for sale
Banking activity - Commitments given	88,837	0	85,656	0
Banking activity - Commitments received	17,136	230	11,978	0

7. Notes on risk exposure

7.0. Risk exposure and hedging strategy

We refer to the chapter on Risk Management of the Management Report, pages 25 to 42.

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 af financial instruments
The following tables compare fair value with carrying amount of financial instruments not measured at fair value.

b. Fair value

	31/12/12					
	Carrying amount		Fair value		Unrecognised fair value adjustment	
(EUR million)	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale	Continuing operations	Activities held for sale
Cash and central banks	1,048	2,400	1,048	2,400	0	0
Interbank loans and advances	10,806	1,115	10,574	1,115	(232)	0
Customer loans and advances	149,109	67,787	145,249	67,644	(3,860)	(143)
Financial assets held to maturity	453	10	508	10	55	0
Central banks	50,590	0	50,590	0	0	0
Interbank borrowings and deposits	34,971	91	33,944	83	(1,027)	(8)
Customer borrowings and deposits	10,727	0	10,293	0	(434)	0
Debt securities	109,825	62,477	107,404	60,037	(2,421)	(2,440)
Subordinated debt	707	0	376	0	(331)	0

	31/12/13		
(EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	1,542	1,542	0
Interbank loans and advances	8,908	8,668	(240)
Customer loans and advances	128,552	125,353	(3,199)
Financial assets held to maturity	384	419	35
Central banks	34,274	34,274	0
Interbank borrowings and deposits	31,969	32,015	46
Customer borrowings and deposits	8,590	8,574	(16)
Debt securities	96,368	95,323	(1,045)
Subordinated debt	644	606	(38)

Managment report

Corporate governance and internal control

Consolidated financial statements

Financial statements

Shareholders' meeting

General information

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. Following the adoption of IFRS 13 Fair value measurement as from 1 January 2013, the method used to measure the fair value applies to all financial instruments.

Fair value of financial assets

	31/12/12							
	Continuing operations				Activities held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	0	19,765	3,614	23,379	0	2,301	0	2,301
** Loans and securities held for trading*	*0*	*0*	*2,197*	*2,197*	*0*	*0*	*0*	*0*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*19,765*	*1,390*	*21,155*	*0*	*2,301*	*0*	*2,301*
Hedging derivatives	0	8,743	628	9,371	0	7,812	1,380	9,192
Financial assets available for sale	8,586	12,235	15,239	36,060	589	42	494	1,125
** Financial assets available for sale - bonds*	*8,558*	*12,105*	*14,907*	*35,570*	*589*	*42*	*494*	*1,125*
** Financial assets available for sale - equities*	*28*	*130*	*332*	*490*	*0*	*0*	*0*	*0*
TOTAL	**8,586**	**40,743**	**19,481**	**68,810**	**589**	**10,155**	**1,874**	**12,618**

Fair value of financial assets

	31/12/13			
(EUR million)	Level 1	Level 2	Level 3	Total
Cash and central banks	1,542	0	0	1,542
Financial assets at fair value through profit and loss	0	15,127	3,220	18,347
** Loans and securities held for trading*	*0*	*0*	*1,774*	*1,774*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*
** Derivatives held for trading*	*0*	*15,127*	*1,419*	*16,546*
Hedging derivatives	0	5,292	653	5,945
Financial assets available for sale	6,176	15,477	7,571	29,224
** Financial assets available for sale - bonds*	*6,157*	*15,402*	*7,297*	*28,856*
** Financial assets available for sale - equities*	*19*	*75*	*274*	*368*
Interbank loans and advances	15	5,721	2,932	8,668
Customer borrowings and deposits	0	18,383	106,970	125,353
Financial assets held to maturity	0	79	340	419
TOTAL	**7,733**	**60,079**	**121,686**	**189,498**

Fair value of financial liabilities

	31/12/12							
	Continuing operations				Activities held for sale			
(EUR million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit and loss	0	25,939	1,892	27,831	0	874	97	971
** Financial liabilities designated at fair value*	*0*	*2,777*	*1,154*	*3,931*	*0*	*0*	*0*	*0*
** Derivatives held for trading*	*0*	*23,162*	*738*	*23,900*	*0*	*874*	*97*	*971*
Hedging derivatives	0	33,285	2,475	35,760	0	5,126	4,056	9,182
TOTAL	**0**	**59,224**	**4,367**	**63,591**	**0**	**6,000**	**4,153**	**10,153**

Fair value of financial liabilities

	31/12/13			
	Continuing operations			
(EUR million)	Level 1	Level 2	Level 3	Total
Central banks	34,274	0	0	34,274
Financial liabilities at fair value through profit and loss	0	16,621	2,218	18,839
** Financial liabilities designated at fair value*	*0*	*1,229*	*1,097*	*2,326*
** Derivatives held for trading*	*0*	*15,392*	*1,121*	*16,513*
Hedging derivatives	0	20,847	1,418	22,265
Interbank borrowings and deposits	0	22,064	9,951	32,015
Customer borrowings and deposits	0	2,204	6,370	8,574
Debt securities	0	27,875	67,448	95,323
Subordinated debt	0	55	551	606
TOTAL	**34,274**	**89,666**	**87,956**	**211,896**

d. Transfer between level 1 and level 2 – continuing operations

In 2013, there was no transfer between level 1 and level 2. In 2012, an amount of EUR 770 million of bonds available for sale was transferred from level 2 to level 1 due to the improvement of the market liquidity for some Italian sovereign bonds.

e. Level 3 reconciliation

	2012									
Continuing operations (EUR million)	Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/ losses	Purchase	Sale	Settlement	Transfer to level 3	Transfer out of level 3	Other movements(1)	Closing
Loans and securities held for trading	2,326	(26)	0	0	(44)	(87)	0	0	28	2,197
Financial assets designated at fair value - bonds and other fixed-income instruments	21	1	0	0	0	0	5	0	0	27
Derivatives held for trading	1,058	(220)	0	1	0	0	551	(54)	54	1,390
Hedging derivatives	594	48	0	58	0	0	0	(60)	(12)	628
Financial assets available for sale - bonds	7,373	2,141	642	3,839	(528)	(696)	577	(737)	2,296	14,907
Financial assets available for sale - equities	346	25	(12)	0	(42)	0	4	0	11	332
TOTAL FINANCIAL ASSETS	**11,718**	**1,969**	**630**	**3,898**	**(614)**	**(783)**	**1,137**	**(851)**	**2,377**	**19,481**
Financial liabilities designated at fair value	0	0	0	0	0	0	1,180	0	(26)	1,154
Derivatives held for trading	979	(499)	0	111	0	0	204	(90)	33	738
Hedging derivatives	2,499	(545)	0	520	0	0	817	(818)	2	2,475
TOTAL FINANCIAL LIABILITIES	**3,478**	**(1,044)**	**0**	**631**	**0**	**0**	**2,201**	**(908)**	**9**	**4,367**

(1) Other movements include notably the impact of changes in exchange rates during the year.
In 2012, they also include an amount of EUR 2,320 million related to the consolidation of Dexia FP Holdings Inc, Dexia Holdings Inc. and Dexia LDG Banque SA.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

Continuing operations (EUR million)	2013 Opening balance	Total gains/ losses in P&L	Unrealised or deferred gains/ losses	Purchase	Sale	Settlement	Transfer to level 3	Transfer out of level 3	Other movements[1]	Change in scope of consolidation[2]	Closing
Loans and securities held for trading	2,197	111	0	0	(218)	(222)	0	0	(94)	0	1,774
Financial assets designated at fair value - bonds and other fixed-income instruments	27	5	0	0	(5)	0	0	0	0	0	27
Derivatives held for trading	1,390	(385)	0	448	0	0	0	0	(34)	0	1,419
Hedging derivatives	628	(674)	0	3	0	0	0	(9)	(5)	710	653
Financial assets available for sale - bonds[3]	17,017	(452)	(156)	530	(270)	(2,426)	0	(6,738)[4]	(208)	0	7,297
Financial assets available for sale - equities	332	1	(5)	0	(51)	0	0	0	(3)	0	274
TOTAL FINANCIAL ASSETS	**21,591**	**(1,394)**	**(161)**	**981**	**(544)**	**(2,648)**	**0**	**(6,747)**	**(344)**	**710**	**11,444**
Financial liabilities designated at fair value	1,154	(10)	0	0	0	0	0	0	(47)	0	1,097
Derivatives held for trading	738	(57)	0	445	0	0	2	0	(7)	0	1,121
Hedging derivatives	2,475	(964)	0	24	0	0	1	(57)	(61)	0	1,418
TOTAL FINANCIAL LIABILITIES	**4,367**	**(1,031)**	**0**	**469**	**0**	**0**	**3**	**(57)**	**(115)**	**0**	**3,636**

(1) Other movements include notably the impact of changes in exchange rates during the year.
(2) Derivatives with Dexia Municipal Agency are no longer eliminated from the consolidated accounts due to the diposal of the company.
(3) The opening balance of available for sale bonds has been restated for an amount of EUR 2,110 million relating to debt instruments mainly from public sector, measured in level 3 and wrongly reported in level 2 in 2012.
This has no impact on the valuation of these instruments.
(4) The Spanish covered bonds were reclassified from level 3 to level 2 as a result of an improvement in the market liquidity noted in the end of 2013.

f. Sensitivity of level 3 valuations to alternative assumptions

Dexia Crédit Local fair value applied to bonds and CDS is partly based on a mark to model. The sensitivity analysis described below measures the impact on fair value of alternative assumptions used for unobservable parameters at closing date.
Dexia Crédit Local decided to elaborate alternative assumptions on the following unobservable parameters:

- credit spreads, depending on availability of credit spreads for the same counterparty, or credit spreads based on similar counterparties, similar sectors or by using credit risk indexed on liquid CDS indexes;
- the basis Cash – CDS that allows to deduct bonds spreads from CDS spreads;
- the liquidity of the financial instrument, depending on the activity of the instrument's market.

Tests have been performed on bonds and CDS.
As of 31 December 2013, the AFS portfolio amounts to EUR 29,224 million. unrealised or deferred gains and losses amount to EUR -5,597 million out of which EUR -4,656 million were accounted for in the equity as AFS reserve. The following alternative assumptions have been applied on the entire AFS portfolio:

- A 2% credit spread variation applied to all instruments together with spreads between 0 bp and 40 bp on certain types of assets;
- A change in the liquidity premium (basis cash – CDS) to take it to a level closer to the market at 0 basis point;
- A 10% change in the liquidity percentage for all positions.

For level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR +151 million and a negative impact of EUR -31 million in 2013, while in 2012, it was estimated between a positive impact of EUR + 253 million and a negative impact of EUR -284 million.
According to the accounting policies and valuation methods described in section 1.1.7.2, Dexia Crédit Local mostly uses for the valuation of types of assets a model subject to regular back testing based on market data. Dexia Crédit Local regularly reviews its assumptions used in the valuation of types of assets, particularly the liquidity assumptions, which will drive the use of 3rd party quotations and model price and the credit spread level used in the model's valuation. The definition of liquidity used by Dexia Crédit Local corresponds to active market definition as defined by IFRS13.
Within the AFS portfolio, a significant portion of which is classified as level 3 as a result of an insufficient volume of data representing transactions that took place on the market, Dexia Crédit Local holds an important volume of securities issued by Spanish local public authorities. The evolution of the credit spread of this type of assets is likely to have a significant impact on the unrealised or deferred gains or loss reserve.
As for the portfolio of Spanish local public authorities securities, whose nominal value reaches EUR 1,357 million and the unrealised or deferred gains and losses reserve of EUR -314 million, the liquidity rate is 0%. A 25 points increase in the liquidity percentage would have a non-significant impact on the AFS reserve and a 100 basis points credit spread increase would affect the AFS reserve by EUR -153 million.
Negative Basis Trade (NBT) are considered as one single product, and are therefore tested for the bond and its related CDS together. The assumption having an impact on their fair value is the unwinding impact. Based on the important

number of unwinds performed by Dexia Crédit Local since 2009, and taking into account the stock of remaining NBT transactions, the positive impact (average of 2009 unwinds cost) is EUR +5.8 million whereas the negative impact (average of 2011 unwinds cost) gives an impact of EUR -31.6 million. For 2012, the positive impact (unwind costs of 2009) was EUR +7.3 million whereas the negative impact (unwind cost of 2011) gave an impact of EUR -39.7 million.

The impact of the credit spreads alternative assumptions on Dexia Crédit Local credit derivatives is estimated at EUR +2.7 million (positive scenario) versus EUR -2.8 million (negative scenario) before tax, while in 2012, it was estimated at EUR +3.3 million (positive scenario) versus EUR -3.4 million (negative scenario).

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

No significant amounts are recognised as deferred Day one Profit (DOP) as at 31 December 2012 nor as at 31 December 2013.

DOP is recognised up-front on simple products, like Interest Rate Swaps (IRS) or complex products (like structured transactions) that are backed-to-back.

DOP taken up-front amounted respectively to EUR 3 million as at 31 December 2012 and to less than EUR 1 million as at 31 December 2013. The amount are recognised in *V. Net gains (losses) on financial instruments at fair value trough profit or loss.*

7.2. Credit risk exposure

Credit risk exposure is disclosed in the same way as it is reported to the Management and is:

• the net carrying amount for balance sheet assets other than derivative contracts (i.e. accounting value after deduction of specific provisions);

• the fair value of derivatives

• the full amount of off-balance sheet commitments : it is either the undrawn part of liquidity facilities or the maximum amount. Dexia has a committment to honor with regards to the guarantees it has granted to third parties.

Credit risk exposure is broken down by geographical region and by counterparty taking into account all guarantees obtained and financial collaterals (cash collateral and financial collateral for Repo and OTC instruments) .

This means that when the credit risk exposure is guaranteed by a third party whose weighted risk (according to definition stated in the Basel reglementation) is lower than the one of the direct borrower, the exposure is then reported in the guarantor's geographical region and activity sector.

As at 31 December 2013, Dexia Crédit Local credit risk exposure amounts to EUR 174 billion.

a. Exposure by geographical region and by counterparty category

Exposure by geographic region

	31/12/12		31/12/13
(EUR million)	Continuing activities	Activities held for sale	Continuing activities
France	33,475	51,293	28,092
Belgium	11,044	5,227	3,829
Germany	24,448	954	21,937
Greece	227	0	216
Ireland	1,592	2	267
Italy	33,460	3,999	27,766
Luxembourg	477	14	130
Spain	22,975	518	19,923
Portugal	3,809	75	3,693
Hungary	1,390	0	1,306
Austria	1,948	272	1,732
Central and Eastern Europe	4,201	132	3,759
Netherlands	701	0	565
Scandinavian countries	1,574	194	1,035
Great Britain	18,145	696	16,742
Switzerland	176	3,801	536
Turkey	676	0	539
U.S. and Canada	31,513	690	26,552
South and Central America	1,110	0	715
Southeast Asia	1,220	0	1,062
Japan	7,296	25	6,002
Rest of world[1]	8,599	48	6,762
TOTAL	**210,055**	**67,940**	**173,160**

(1) Includes supranational entities.

Managment report

Corporate governance and internal control

Consolidated financial statements

Financial statements

Shareholders' meeting

General information

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

Exposure by category of counterparty

	31/12/12		31/12/13
(EUR million)	Continuing activities	Disposal groups held for sale	Continuing activities
Central governments	30,408	4,538	26,636
Local public sector(1)	103,543	56,752	90,460
Financial institutions	38,207	1,579	25,913
Corporates	8,407	145	5,798
Monoline	5,652	0	3,143
ABS/MBS	7,899	4,908	6,717
Project finance	15,939	18	14,493
TOTAL	**210,055**	**67,940**	**173,160**

(1) As at 31/12/12, this category included for continuing activities: EUR 87 million on Greece, EUR 143 million on Hungary, EUR 15,403 million on Italy, EUR 1,934 million on Portugal, EUR 10,698 million on Spain.
As at 31/12/13, this category included for continuing activities: EUR 82 million on Greece, EUR 60 million on Hungary, EUR 11,604 million on Italy, EUR 1,805 million on Portugal, EUR 9,281 million on Spain.

Sovereign credit risk exposure on several European countries - continuing activities

	31/12/12						
	Italy		Hungary	Portugal		Spain	
(EUR million)	AFS(1)	L&R and HTM (2)	AFS(1)	AFS(1)	L&R and HTM(2)	AFS(1)	L&R and HTM(2)
Accounting value before fair value adjustments	4,083	9,498	1,181	1,806	46	453	18
Fair value adjustments due to interest rate hedged	1,968	1,406	134	709	22	14	12
Fair value adjustment not hedged	(1,670)	0	(147)	(1,253)	0	(37)	0
TOTAL	**4,381**	**10,904**	**1,168**	**1,262**	**68**	**430**	**30**
AVAILABLE FOR SALE RESERVE							
Available for sale reserve (gross)	(1,670)	(67)	(147)	(1,253)		(37)	
Deferred tax	12	20	0	0		0	
Available for sale reserve (net)	(1,658)	(47)	(147)	(1,253)		(37)	

(1) AFS: Available for sale.
(2) L&R: Loans and receivables HTM: Held to maturity.

In 2012, on the occasion of the exchange plans negotiated by the Greek state, Dexia Crédit Local sold or exchanged all of its exposure on Greek sovereign bonds.

Dexia Crédit Local has given loans commitments to some local Italian authorities for EUR 268 million.

The Dexia Crédit Local Group has a nil position on credit default swaps on Italian sovereign assets: this position consists of EUR 803 million of credit default swaps sold, offset by purchases for the same nominal amount. The Group has no other exposure on credit default swaps.

The Dexia Crédit Local Group has no exposure on Irish sovereign assets.

	31/12/13							
	Italy		Hungary		Portugal		Spain	
(EUR million)	AFS(1)	L&R and HTM(2)	AFS(1)	L&R and HTM(2)	AFS(1)	L&R and HTM(2)	AFS(1)	L&R and HTM(2)
Accounting value before fair value adjustments	4,049	8,660	1,105	58	1,806	46	429	22
Fair value adjustments due to interest rate hedged	1,435	950	87	0	481	16	3	9
Fair value adjustment not hedged	(969)	0	(54)	0	(928)	0	2	0
TOTAL	**4,515**	**9,610**	**1,138**	**58**	**1,359**	**62**	**434**	**31**
AVAILABLE FOR SALE RESERVE								
Available for sale reserve (gross)	(969)	(63)	(54)		(928)		2	
Deferred tax	17	19	0		0		0	
Available for sale reserve (net)	(952)	(44)	(54)		(928)		2	

(1) AFS: Available for sale
(2) L&R: Loans and receivables; HTM: Held to maturity

The Dexia Crédit Local Group has a nil position on credit default swaps on Italian sovereign assets: this position consists of EUR 803 million of credit default swaps sold, offset by purchases for the same nominal amount.

b. Maximum credit risk exposure by class of financial instruments

(EUR million)	31/12/12				31/12/13	
	Continuing operations		Disposal groups held for sale		Continuing operations	
	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral	Credit risk exposure	Financial effect of the collateral
Financial assets available for sale (excluding variable income securities)	35,660	0	1,124	0	28,794	0
Financial assets designated at fair value (excluding variable income securities)	26	0	0	0	27	0
Financial assets held for trading (excluding variable income securities)	2,198	0	0	0	1,774	0
Derivatives held for trading	5,068	653	0	0	3,817	3,582
Hedging derivatives	630	1,484	314	3,335	333	1,095
Financial assets held to maturity	453	0	10	0	384	0
Loans and advances (at amortized cost)	142,287	481	66,169	5	127,438	949
Other financial instruments	949	0	5	0	931	0
Loans commitments granted	7,212	0	317	0	4,028	0
Guarantee commitments granted	15,572	17,349	1	0	5,634	13,818
TOTAL	**210,055**	**19,967**	**67,940**	**3,340**	**173,160**	**19,445**

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 II and directly held by Dexia Crédit Local are considered.

The figures in "Credit risk exposure" have been decreased by the financial effect of the collateral. This explains why the amount of the financial effect of the collateral can be higher then the credit risk exposure amount.

c. Credit quality of performing financial assets

The credit quality of financial assets is measured by reference to internal (Basel II standard) or external ratings. Indeed, Dexia applies the AIRBA (Advanced Internal Ratings Based Approach) for the calculation of capital requirements for credit risk within the context of Pillar I of Basel II, except for ABS positions for which credit risk is calculated within the Ratings based Approach, based on external ratings (Fitch, Standard &Poors or Moody's) and for part of its portfolio where credit risk exposure is calculated in accordance with the Basel II Standard Method.

(EUR million)	31/12/12				
	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	6,221	21,234	8,178	0	35,633
Financial assets designated at fair value (excluding variable income securities)	0	6	16	4	26
Financial assets held for trading (excluding variable income securities)	880	1,232	77	0	2,189
Derivatives held for trading	591	3,548	673	23	4,835
Hedging derivatives	26	523	21	0	570
Financial assets held to maturity	89	364	0	0	453
Loans and advances (at amortized cost)	58,273	66,470	15,556	566	140,865
Other financial instruments	173	13	0	745	931
Loans commitments granted	3,412	3,200	486	32	7,130
Guarantee commitments granted	3,461	11,396	537	163	15,557
TOTAL - CONTINUING OPERATIONS	**73,126**	**107,986**	**25,544**	**1,533**	**208,189**
TOTAL - DISPOSAL GROUPS HELD FOR SALE	**23,401**	**38,197**	**4,895**	**314**	**66,807**
TOTAL	**96,527**	**146,183**	**30,439**	**1,847**	**274,996**

(EUR million)	31/12/13 AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	5,468	18,415	4,905	0	28,788
Financial assets designated at fair value (excluding variable income securities)	0	6	21	0	27
Financial assets held for trading (excluding variable income securities)	636	1,092	46	0	1,774
Derivatives held for trading	719	2,257	578	19	3,573
Hedging derivatives	60	138	94	0	292
Financial assets held to maturity	66	318	0	0	384
Loans and advances (at amortized cost)	51,821	57,747	15,498	571	125,637
Other financial instruments	177	1	1	740	919
Loans commitments granted	2,027	1,689	241	10	3,967
Guarantee commitments granted	611	4,428	520	54	5,613
TOTAL - CONTINUING OPERATIONS	61,585	86,091	21,904	1,394	170,974

d. Past-due and impaired financial assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. This is considered by contract. As an exemple, if a counterpart fails to pay the required interest at due date, the entire loan is considered as past due. Financial assets are classified as impaired in the cases described in note 1.1 "Accounting policies and valuation methods".

	31/12/12			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets before deducting any impairment loss
(EUR million)	Less than 90 days	90 days to 180 days	Over 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	160
Loans and advances (at amortized cost)	325	25	251	1,314
Other financial instruments	0	0	0	29
TOTAL - CONTINUING OPERATIONS	325	25	251	1,503
TOTAL - DISPOSAL GROUPS HELD FOR SALE	134	148	425	354
TOTAL	459	173	676	1,857

	31/12/13			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets before deducting any impairment loss
(EUR million)	Less than 90 days	90 days to 180 days	Over 180 days	
Financial assets available for sale (excluding variable income securities)	0	0	0	69
Loans and advances (at amortized cost)	199	52	478	1,386
Other financial instruments	0	0	110	9
TOTAL - CONTINUING OPERATIONS	199	52	588	1,464

Financial assets are classified as impaired in accordance with the description made in chapter 1.1 "Accounting policies and valuation methods".

Forebearance

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.

Only the 3rd case is considered as a 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.

Total assets included around EUR 0.8 billion of forborne assets as at 31/12/13.

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

There are no assets of this type in 2013. In 2012 tangible assets were obtained for an amount of EUR 15 million.

f. Movements on impairment on financial assets

(EUR million)	2012 As at January 1	Additions	Reversals	Other adjustments[1]	As at December 31	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
SPECIFIC IMPAIRMENT	**(3,264)**	**(500)**	**3,266**	**(67)**	**(565)**	**70**	**(3,054)**
Customer loans and advances	(352)	(155)	185	(67)	(389)	2	(155)
Held to maturity securities	(153)	0	141	12	0	0	0
Available for sale securities	(2,744)	(343)	2,938	(9)	(158)	68	(2,899)
Fixed revenue instruments	*(2,662)*	*(335)*	*2,884*	*(6)*	*(119)*	*68*	(2,899)
Variable revenue instruments	*(82)*	*(8)*	*54*	*(3)*	*(39)*	*0*	0
Other accounts and receivables	(15)	(2)	2	(3)	(18)	0	0
COLLECTIVE IMPAIRMENT	**(311)**	**(329)**	**225**	**(8)**	**(423)**		
Interbank loans and advances	(10)	(4)	6	1	(7)		
Customer loans and advances	(301)	(325)	219	(9)	(416)		
Held to maturity securities	0	0	0	0	0		
TOTAL	**(3,575)**	**(829)**	**3,491**	**(75)**	**(988)**	**70**	**(3,054)**

(1) Other adjustments include notably the impact of changes in exchange rates and in the scope of consolidation during the year.
The deconsolidation of Dexia Holdings Inc and Dexia FP Holdings Inc has an impact of EUR 1,679 million on specific impairment and EUR 327 million on collective impairment.

(EUR million)	2013 As at January 1	Additions	Reversals	Utilization	Other adjustments[1]	Other transfers	As at December 31	Recoveries directly recognized in profit or loss	Charge-offs directly recognized in profit or loss
SPECIFIC IMPAIRMENT	**(565)**	**(286)**	**168**	**44**	**15**	**0**	**(624)**	**3**	**(130)**
Customer loans and advances	(389)	(279)	110	5	12	0	(541)	0	(54)
Available for sale securities	(158)	(5)	49	39	1	0	(74)	0	(76)
Fixed revenue instruments	*(119)*	*0*	*49*	*37*	*1*	0	*(32)*	*0*	(76)
Variable revenue instruments	*(39)*	*(5)*	*0*	*2*	*0*	0	*(42)*	*0*	0
Other accounts and receivables	(18)	(2)	9	0	2	0	(9)	3	0
COLLECTIVE IMPAIRMENT	**(423)**	**(207)**	**213**	**0**	**3**	0	**(414)**		
Interbank loans and advances	(7)	(5)	7	0	0	0	(5)		
Customer loans and advances	(416)	(202)	206	0	3	0	(409)		
TOTAL	**(988)**	**(493)**	**381**	**44**	**18**	**0**	**(1,038)**	**3**	**(130)**

(1) Other adjustments include notably the impact of changes in exchange rates and in the scope of consolidation during the year.,

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

g. Credit risk information on loans and receivables designated at fair value through profit or loss

(EUR million)	Maximum exposure to credit risk	Change in the fair value attributable to changes in the credit risk – For the period	Change in the fair value attributable to changes in the credit risk – Cumulative
At December 31, 2012	5	0	(3)
At December 31, 2013	0	0	0

Dexia Crédit Local no longer holds loans and advances designated at fair value through profit or loss

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

(EUR million)	Carrying amount	Amount of change in the fair value attributable to changes in the credit risk – For the period	Amount of change in the fair value attributable to changes in the credit risk – Cumulative	Difference between carrying amount and amount contractually required to be paid at maturity(1)
At December 31, 2012	3,931	136	(186)	685
At December 31, 2013	2,326	82	(104)	285

(1) This amount includes the premium/discount and change in market value.

See also note 3.1 Financial liabilities at fair value through profit or loss.

7.3. Collateral

a. Nature of the assets received as collateral if this collateral can be sold or repledged

	2012		2013	
(EUR million)	Fair values of collateral held	Fair value of collateral sold or repledged	Fair values of collateral held	Fair value of collateral sold or repledged
Debt securities	0	0	589	0
Loans and advances	115	0	0	0
TOTAL	**115**	**0**	**589**	**0**

Collateral is obtained in connection with the repurchase agreement activities.

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

(EUR million)	2012	2013
Carrying amount of financial assets pledged as collateral for liabilities	116,760	106,149

The amount of EUR 117 billion in 2012 and EUR 106 billion in 2013 represent 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 and the States guarantee mechanism. This amount includes neither the assets guaranteeing the secured debt issued by Dexia Kommunalbank Deutschland and Dexia LdG Banque SA, nor Dexia FP Holdings Inc.'s Guaranteed Investment Contracts (GICs). These assets are close to EUR 42 billion in 2012 and to EUR 34 billion in 2013.

7.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Demand deposits and saving deposits are reported in the "Demand" column, as the information presented below takes into account the current maturity until the next date on which interest rates are reset from an accounting standpoint, rather than assumptions based on oberved behavioral data.

a. Analysis of assets

(EUR million)	31/12/12 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	1,048	0	0	0	0	0	0			1,048
Financial assets at fair value through profit or loss	0	1,850	9	54	33	0	1,155	20,278		23,379
Hedging derivatives							957	8,414		9,371
Financial assets available for sale	19	5,876	2,951	8,434	16,226	288	539	1,885	(158)	36,060
Interbank loans and advances	1,177	2,360	1,311	3,728	1,612	0	60	565	(7)	10,806
Customer loans and advances	238	25,567	25,169	17,913	62,982	0	870	17,175	(805)	149,109
Fair value revaluation of portfolio hedge								3,526		3,526
Financial assets held to maturity	0	14	48	335	51	0	5	0	0	453
Subtotal financial assets used to calculate the gap	*2,482*	*35,667*	*29,488*	*30,464*	*80,904*	*288*				
Tax assets						51	0	0	0	51
Accruals and other assets	3	37,290	116	0	0	73	6	3	(18)	37,473
Non-current assets held for sale	0	0	0	0	0	18	0	0	0	18
Tangible fixed assets						499			0	499
Intangible assets and goodwill						102			0	102
TOTAL CONTINUING OPERATIONS	**2,485**	**72,957**	**29,604**	**30,464**	**80,904**	**1,031**	**3,592**	**51,846**	**(988)**	**271,895**
Disposal groups held for sale	2,427	12,941	8,354	12,561	29,848	101	1,900	15,994	(49)	84,077
TOTAL	**4,912**	**85,898**	**37,958**	**43,025**	**110,752**	**1,132**	**5,492**	**67,840**	**(1,037)**	**355,972**

b. Analysis of liabilities excluding shareholders' equity

(EUR million)	31/12/12 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
Central banks	0	29,726	0	20,577	0	0	287	0	50,590
Financial liabilities at fair value through profit or loss	0	571	145	894	1,533	0	1,083	23,605	27,831
Hedging derivatives							1,988	33,772	35,760
Interbank borrowings deposits	331	8,241	4,928	15,999	5,366	0	91	15	34,971
Customer borrowings deposits	2,327	4,101	1,824	373	1,911	0	57	134	10,727
Debt securities	19	29,631	23,666	33,252	17,306	0	1,016	4,935	109,825
Fair value revaluation of portfolio hedge								372	372
Subordinated debts	0	30	5	425	213	0	8	26	707
Subtotal financial liabilities used to calculate the gap	*2,677*	*72,300*	*30,568*	*71,520*	*26,329*	*0*			
Tax liabilities						62			62
Accruals and other liabilities	32	3,701	69	20	102	14	3	0	3,941
Provisions						121			121
TOTAL CONTINUING OPERATIONS	**2,709**	**76,001**	**30,637**	**71,540**	**26,431**	**197**	**4,533**	**62,859**	**274,907**
Liabilities included in disposal groups held for sale	0	9,547	5,044	23,483	22,488	10	1,748	16,849	79,169
TOTAL	**2,709**	**85,548**	**35,681**	**95,023**	**48,919**	**207**	**6,281**	**79,708**	**354,076**

c. Balance-sheet sensitivity gap

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
Continuing operations	(195)	(36,633)	(1,080)	(41,056)	54,575	288
Disposal groups held for sale	2,427	6,906	3,309	(10,921)	7,360	0

Balance-sheet sensitivity gap is hedged through financial instruments.

a. Analysis of assets

	31/12/13									
(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	1,542	0	0	0	0	0	0			1,542
Financial assets at fair value through profit or loss	0	1,427	3	53	27	0	1,215	15,622		18,347
Hedging derivatives							756	5,189		5,945
Financial assets available for sale	793	4,550	3,261	5,661	13,042	238	497	1,256	(74)	29,224
Interbank loans and advances	621	3,773	1,369	1,270	1,422	0	44	414	(5)	8,908
Customer loans and advances	149	29,908	28,682	12,562	45,823	0	783	11,594	(949)	128,552
Fair value revaluation of portfolio hedge								1,035		1,035
Financial assets held to maturity	0	25	49	291	14	0	5	0	0	384
Subtotal financial assets used to calculate the gap	*3,105*	*39,683*	*33,364*	*19,837*	*60,328*	*238*				
Tax assets						59				59
Accruals and other assets	20	7,737	19,177	144	148	38	5	0	(9)	27,260
Non-current assets held for sale	0	0	0	0	0	13	0	(1)	0	12
Tangible fixed assets						338			0	338
Intangible assets and goodwill						28			0	28
TOTAL CONTINUING OPERATIONS	**3,125**	**47,420**	**52,541**	**19,981**	**60,476**	**714**	**3,305**	**35,109**	**(1,037)**	**221,634**
Disposal groups held for sale	0	0	0	0	0	0	0	0	0	0
TOTAL	**3,125**	**47,420**	**52,541**	**19,981**	**60,476**	**714**	**3,305**	**35,109**	**(1,037)**	**221,634**

b. Analysis of liabilities excluding shareholders' equity

(EUR million)	31/12/13								
	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
Central banks	0	17,891	175	15,614	125	0	469	0	34,274
Financial liabilities at fair value through profit and loss	0	36	309	357	1,261	0	1,157	15,719	18,839
Hedging derivatives							1,460	20,805	22,265
Interbank borrowings and deposits	82	22,537	6,916	972	1,379	0	72	11	31,969
Customer borrwings and deposits	2,033	2,904	1,714	1,074	735	0	51	79	8,590
Debt securities	1	51,534	13,603	11,855	15,092	0	852	3,431	96,368
Fair value revaluation of portfolio hedge								231	231
Subordinated debts	0	291	131	62	138	0	8	14	644
Subtotal financial liabilities used to calculate the gap	*2,116*	*95,193*	*22,848*	*29,934*	*18,730*	*0*			
Tax liabilities						46			46
Accruals and other liabilities	59	5,024	280	31	213	87	3		5,697
Provisions						173			173
TOTAL CONTINUING OPERATIONS	**2,175**	**100,217**	**23,128**	**29,965**	**18,943**	**306**	**4,072**	**40,290**	**219,096**
Liabilities included in disposal groups held for sale	0	0	0	0	0	0	0	0	0
TOTAL	**2,175**	**100,217**	**23,128**	**29,965**	**18,943**	**306**	**4,072**	**40,290**	**219,096**

c. Balance-sheet sensitivity gap

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
Continuing operations	989	(55,510)	10,516	(10,097)	41,598	238
Disposal groups held for sale	0	0	0	0	0	0

Balance-sheet sensitivity gap is hedged through financial instruments.

7.5. Sensitivity to interest rate risk and other market risks

a. Treasury and Financial Markets (TFM)

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

- The Value at Risk (VaR) is a measure of the expected potential loss with a 99% confidence interval and for a holding period of ten days. Dexia Crédit Local uses a number of VaR approaches to measure the market risk inherent in its portfolios and activities:
  - Directional interest rate risk and foreign exchange risk are measured via a parametric VaR approach using a methodology based on the assumed normal distribution of yields relating to various risk factors.
  - Credit spread risk (also known as specific interest rate risk) and other risks in the trading portfolio are measured using a historical VaR approach. Historical VaR is a VaR whose distribution is constructed by applying historical scenarios for the relevant risk factors associated with the current portfolio.
- Limits governing sensitivity to various risk factors, maturity, market and authorised products are put in place for each type of activity, ensuring consistency between overall value limits and operational thresholds used by front office. These measures also serve to manage risk that would only be imperfectly covered by VaR measures.

Stress testing completes the risk management system by exploring a range of events outside the probability framework of VaR measurement techniques. The assumptions underlying stress test scenarios are regularly revised and updated. The results of consolidated stress tests and the corresponding analysis are presented quarterly to the Market Risk Committee and the Risk Committee.

Value at Risk of Market Activities

The table below shows the details of VaR used for market activities, not including the bond portfolio. At end December 2013, total VaR consumption stood at EUR 12.2 million, compared with EUR 10.4 million at end 2012.

The unwinding of positions held by Caisse Française de Financement Local (formerly Dexia Municipal Agency) and their transfer to SFIL in mid-January 2013 made it necessary to create a trading portfolio to manage risks arising from hedges that continued to be housed within Dexia Crédit Local. The creation of this trading portfolio led to the appearance of new risk factors, including in particular the following:

- basis risk on currency swaps
- interest rate basis Risk between the swap index considered and The –BOR benchmark used to Value swaps

VaR consumption arising from this trading portfolio totalled EUR 5.9 million at end 2013, compared with zero at end 2012. Consequently, at its meeting of 17 December 2013, the Management Board signed off an increase in the aggregate VaR limit for activities from EUR 22 million to EUR 40 million with an aim to take into account the existing risk factors and of which the calculation methodology will be refined as from 2014.

Value at Risk of Market Activities

(EUR million)	2012					
VaR (10 days, 99 %)(*)	By risk factor				Overall	
	Interest rate and currency *(Banking and Trading)*	Equity *(Trading)*	Spread *(Trading)*	Other risks(1)	Continuing activities	Limit
Average	3.2	0.0	6.2	0.4	9.5	22
Period end	1.8	0.0	8.2	0.4	10.4	
Maximum	10.3	0.0	8.8	0.4	18.3	
Minimum	1.1	0.0	2.6	0.4	4.5	

(*) The amounts take account of Dexia Municipal Agency positions. In fact, no VaR specific to this sub-perimeter was calculated. This positions only contributed very slightly to the total amount of DCL VaR throughout 2012.
(1) Other risks: inflation, CO_2, commodities.

Value at Risk of Market Activities

(EUR million)	2013					
VaR (10 days, 99 %)	By risk factor				Overall	
	Interest rate and currency *(Banking and Trading)*	Equity *(Trading)*	Spread *(Trading)*	Other risks(1)	Continuing activities	Limit
Average	2.6	0.0	7.2	0.4	10.2	40
Period end	6.4	0.0	5.6	0.3	12.2	
Maximum	7.8	0.0	8.4	0.7	14.9	
Minimum	0.7	0.0	5.6	0.2	8.2	

(1) Other risks: inflation, CO_2, commodities.

b. Balance Sheet Management (BSM)

The measurement of balance-sheet risks is harmonised among the Group's various entities. The risk sensitivity measures reflect the balance sheet's exposure to a parallel movement of 1% on the rate curve (increase of 1%). Sensitivity of the net current value of BSM positions to an interest-rate trend is the main indicator for risk measurement, fixing limits and monitoring risks. Global and partial sensitivities per interval of time are still the main risk indicators on which asset-liability risk committees (ALCo) manage risks.

SENSITIVITY AND LIMITS OF LONG TERM ALM

	2012		
(EUR million)	*Total*	*Of which continuing activities*	*Of which disposal groups held for sale*
Sensitivity	4.0	(7.0)	(11.0)
Limit	96.0	96.0	unallocated

SENSITIVITY AND LIMITS OF LONG TERM ALM

	2013		
(EUR million)	*Total*	*Of which continuing activities*	*Of which disposal groups held for sale*
Sensitivity	8.5	8.5	0.0
Limit	96.0	96.0	0.0

The sensitivity of long term ALM amounted to EUR +8.5 million as at 31 December 2013 against EUR -6 million as at 31 December 2012 for the entire Dexia Crédit Local (continuing operations). It complies with the ALM strategy to minimize the volatility of the income statement.

c. Dexia Crédit Local banking bond portfolio exposure

	2012		2013	
(EUR billion)	Continuing operations	Disposal groups held for sale	Continuing operations	Disposal groups held for sale
Outstanding	87	11	75	0

***Interest-rate sensitivity**

The interest-rate risk of the bond portfolio is hedged (its purpose is solely the management of the credit spread); therefore it has a very limited sensitivity to change of interest rate.

*** Credit spread sensitivity**

A major part of AFS bond portfolios was reclassified as Loans and Receivables. The AFS reserve on these securitites is insensitive to credit spread variation.

As for other bond portfolios, the credit spread sensitivity measures the sensitivity in fair value reserve of bond portfolio classified as AFS to a basis point credit-spread increase , in millions of EUR. This sensitivity is closely monitored.

(EUR million)	2012		2013	
	Continuing operations	**Disposal groups held for sale**	**Continuing operations**	**Disposal groups held for sale**
Outstanding	(27)	(1)	(23)	0

7.6. Liquidity risk

A. Analysis by term to maturity

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

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

1. Analysis of assets

(EUR million)	31/12/12									
	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, central banks	359	689	0	0	0	0	0			1,048
Financial assets at fair value through profit or loss	0	41	5	211	1,689	0	1,155	20,278		23,379
Hedging derivatives							957	8,414		9,371
Financial assets available for sale	18	2,885	2,450	10,087	18,066	288	539	1,885	(158)	36,060
Interbank loans and advances	1,115	816	1,180	4,624	2,453	0	60	565	(7)	10,806
Customer loans and advances	112	3,180	4,992	26,774	96,811	0	870	17,175	(805)	149,109
Fair value revaluation of portfolio hedge								3,526		3,526
Financial assets held to maturity	0	14	48	335	51	0	5	0	0	453
Subtotal financial assets used to calculate the gap	*1,604*	*7,625*	*8,675*	*42,031*	*119,070*	*288*				
Tax assets						51				51
Accruals and other assets	2	37,288	119	0	0	73	6	3	(18)	37,473
Non-current assets held for sale	0	0	0	0	0	18	0	0	0	18
Tangible fixed assets						499			0	499
Intangible assets and goodwill						102			0	102
TOTAL CONTINUING OPERATIONS	**1,606**	**44,913**	**8,794**	**42,031**	**119,070**	**1,031**	**3,592**	**51,846**	**(988)**	**271,895**
Disposal groups held for sale	2,427	2,027	3,354	18,089	40,234	101	1,900	15,994	(49)	84,077
TOTAL	**4,033**	**46,940**	**12,148**	**60,120**	**159,304**	**1,132**	**5,492**	**67,840**	**(1,037)**	**355,972**

2. Analysis of liabilities, excluding shareholders' equity

	31/12/12								
(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
Central banks	0	16,414	0	33,889	0	0	287	0	50,590
Financial liabilities at fair value through profit and loss	0	25	369	1,209	1,540	0	1,083	23,605	27,831
Hedging derivatives							1,988	33,772	35,760
Interbank borrowings and deposits	178	13,643	6,483	8,525	6,036	0	91	15	34,971
Customer borrowings and deposits	2,325	3,892	1,829	577	1,913	0	57	134	10,727
Debt securities	19	23,232	20,179	40,827	19,617	0	1,016	4,935	109,825
Fair value revaluation of portfolio hedge								372	372
Subordinated debts	0	10	5	425	233	0	8	26	707
Subtotal financial liabilities used to calculate the gap	*2,522*	*57,216*	*28,865*	*85,452*	*29,339*	*0*			
Tax liabilities						62			62
Accruals and other liabilities	32	3,701	69	20	102	14	3		3,941
Provisions						121			121
TOTAL CONTINUING OPERATIONS	**2,554**	**60,917**	**28,934**	**85,472**	**29,441**	**197**	**4,533**	**62,859**	**274,907**
Liabilities included in disposal groups held for sale	0	6,530	3,125	25,926	24,981	10	1,748	16,849	79,169
TOTAL	**2,554**	**67,447**	**32,059**	**111,398**	**54,422**	**207**	**6,281**	**79,708**	**354,076**

Net liquidity gap (EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
Continuing operations	(918)	(49,591)	(20,190)	(43,421)	89,731	288
Disposal groups held for sale	2,427	(991)	229	(7,836)	15,252	0

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

1. Analysis of assets

	31/12/13									
(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 Total
Cash and central banks	1,542	0	0	0	0	0	0			1,542
Financial assets at fair value through profit or loss	0	6	5	276	1,223		1,215	15,622		18,347
Hedging derivatives							756	5,189		5,945
Financial assets available for sale	793	831	2,054	7,877	15,752	238	497	1,256	(74)	29,224
Interbank loans and advances	621	611	1,453	3,413	2,357	0	44	414	(5)	8,908
Customer loans and advances	149	3,738	4,172	24,234	84,832	0	783	11,594	(950)	128,552
Fair value revaluation of portfolio hedge								1,035		1,035
Financial assets held to maturity	0	25	49	291	14	0	5	0	0	384
Subtotal financial assets used to calculate the gap	*3,105*	*5,211*	*7,733*	*36,091*	*104,178*	*238*				
Tax assets						*59*				*59*
Accruals and other assets	20	7,701	19,154	179	172	38	5	0	(9)	27,260
Non-current assets held for sale	0	0	0	0	0	13	0	(1)	0	12
Tangible fixed assets						338			0	338
Intangible assets and goodwill						28			0	28
TOTAL CONTINUING OPERATIONS	**3,125**	**12,912**	**26,887**	**36,270**	**104,350**	**714**	**3,305**	**35,109**	**(1,038)**	**221,634**
Disposal groups held for sale	0	0	0	0	0	0	0	0	0	0
TOTAL	**3,125**	**12,912**	**26,887**	**36,270**	**104,350**	**714**	**3,305**	**35,109**	**(1,038)**	**222,634**

2. Analysis of liabilities excluding shareholders' equity

(EUR million)	31/12/13 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	Total
Central banks	0	6,459	651	25,364	1,331	0	469	0	34,274
Financial liabilities at fair value through profit and loss	0	36	309	357	1,261	0	1,157	15,719	18,839
Hedging derivatives							1,460	20,805	22,265
Interbank borrowings and deposits	34	3,929	1,310	20,981	5,632	0	72	11	31,969
Customer borrwings and deposits	2,033	2,336	1,619	1,451	1,021	0	51	79	8,590
Debt securities	1	14,051	32,254	27,983	17,796	0	852	3,431	96,368
Fair value revaluation of portfolio hedge								231	231
Subordinated debts	0	0	131	333	158	0	8	14	644
Subtotal financial liabilities used to calculate the gap	*2,068*	*26,811*	*36,274*	*76,469*	*27,199*	*0*			
Tax liabilities						*46*			*46*
Accruals and other liabilities	59	5,098	280	31	139	87	3	0	5,697
Provisions						173			173
TOTAL CONTINUING OPERATIONS	**2,127**	**31,909**	**36,554**	**76,500**	**27,338**	**306**	**4,072**	**40,290**	**219,096**
Liabilities included in disposal groups held for sale	0	0	0	0	0	0	0	0	0
TOTAL	**2,127**	**31,909**	**36,554**	**76,500**	**27,338**	**306**	**4,072**	**40,290**	**219,096**

c. Net liquidity gap

(EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
Continuing operations	1,037	(21,600)	(28,541)	(40,378)	76,979	238
Disposal groups held for sale	0	0	0	0	0	0

This table does not take into account the liquidity of the asset nor its eligibility for refinancing; some listed long-term assets may be sold or refinanced with central banks in case of need of liquidity.

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, paragraph "Liquidity Risk".

7.7. Currency risk

Classification by original currency (EUR million)	31/12/2012 EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	268,355	25,588	38,762	23,267	355,972
Total liabilities and shareholders' equity	278,859	14,759	45,579	16,775	355,972
NET BALANCE SHEET POSITION	**(10,504)**	**10,829**	**(6,817)**	**6,492**	**0**

Classification by original currency (EUR million)	31/12/2013 EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	155,530	21,950	29,529	14,625	221,634
Total liabilities and shareholders' equity	168,514	9,083	35,323	8,714	221,634
NET BALANCE SHEET POSITION	**(12,984)**	**12,867**	**(5,794)**	**5,911**	**0**

8. Segment and geographic reporting

a. Segment reporting

Following approval of its orderly resolution plan by the European Commission in December 2012 and considering the progress made in implementing the resolution process, Dexia Crédit Local has altered its analysis by business line. This presentation is in line with the new profile of the Group as well as its strategic orientation, of which one of the main objectives is to minimize the risk represented by the Dexia Crédit Local Group for the guarantor States and to optimize its asset value for its shareholders.

From this perspective Dexia Crédit Local's performance is now understood at a consolidation level on the basis of a single "Management of activities in run off" division without specific allocation of funding and operating expenditure.

The management information consists of two kinds of reports :

- Reports linked to activities in run off, which are fully consolidated and assessed through the income statement on the basis of future results and associated expenses. These activities are regarded as a single division.
- Reports linked to activities held for sale, which are not assessed through their intrinsic profitability but are assessed within the context of the best negotiation of the proceed from sale within 12 months.

Moreover:

- Classification of income statement and balance sheet between "Core" and "Legacy division" is no more appropriate as the definition of non strategic assets in run off is now extended to all assets in the balance sheet of Dexia Crédit Local.
- Treasury operations are no longer a business division/profit center as their sole role is to optimize funding cost of Dexia Crédit Local and to fund the assets.
- Evaluation of performance is no more realised through the allocation of liabilities and operating expenses to business lines. Operating expenses have to be managed globally and by entity for a better monitoring.

The results of the discontinued activities as well as of the activities held for sale have to be considered in the analysis of the performance of the Group. Indeed one of the objectives of the Group is to sell the operational entities at the best price in order to maximize the preservation of the capital.

b. Geographic reporting

(EUR million)	France	United States	Ireland	Other	Total
As at 31 December 2012					
NET BANKING INCOME	**(545)**	**(192)**	**(29)**	**14**	**(752)**
As at 31 December 2013					
NET BANKING INCOME	**(187)**	**(84)**	**55**	**(5)**	**(220)**

Statutory auditors' report on the consolidated financial statements

For the year ended December 31st, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31st, 2013, on:

– the audit of the accompanying consolidated financial statements of Dexia Crédit Local;

– the justification of our assessments;

– the specific verification required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31st, 2013 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.

Without qualifying our opinion, we draw your attention to the matter set out in :

- Note 1 § 1.1.1.1 to the consolidated financial statements which stipulates that the consolidated financial statements of Dexia Crédit Local as at December 31, 2013 have been prepared on a going concern basis.

- Note 1 to the consolidated financial statements (particularly sections § 1.1.6 et 1.1.7) which outlines the methods of applying IFRS 13 on fair value measurement.

- Note 1 to the consolidated financial statements (§ 1.1.21) relating to the application of the IAS19 Revised on employee benefits.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments that we bring the following matters to your attention:

Accounting principles

Going concern basis

Our work consisted in assessing the items used by the Board of Directors to justify maintaining the going concern basis of accounting and in gaining an understanding of the underlying documentation and more specifically the business plan and funding forecast.
We also reviewed the information disclosed in the notes to the consolidated financial statements with respect to the going concern basis of accounting and related uncertainties.

Accounting estimates

Measurement of financial instruments

In a context of volatility in the financial markets, your Company, as mentioned in note 1.7 to the consolidated financial statements, uses internal methodologies and models to value financial instruments that are not listed on active markets, and for the recognition of any impairment.

Our work consisted in reviewing the control procedures for the identification of financial instruments that can no longer be traded on an active market or whose valuation parameters are no longer observable; in determining the models used to measure them; in evaluating the appropriateness of the data and assumptions; and in verifying that the risks, results related to these instruments were taken into account and financial information including sensibility to alternative assumptions.

Provisions for credit and counterparty risks

As mentioned in note 1.6.5 to the consolidated financial statements, your company records impairment provisions to cover the credit risks inherent to its.

We examined the system used to control monitoring of credit risks, impairment procedures, evaluation of the risk of non-collection and the level of impairment loss cover provided by specific and collective provisions.
These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Provisions for legal risks

As mentioned in Note 1.4 to the consolidated financial statements, your company has set aside a provision for liabilities and charges in order to cover the litigation risk relating to structured loans.

We analyzed the assumptions used to calculate the provision for litigation, including those relating to the expected changes in the legislative framework and the sharing of responsibility with SFIL and Caffil.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-Sur-Seine and Courbevoie, April 14th, 2014

French original signed by the statutory auditors

DELOITTE & ASSOCIÉS		MAZARS	
Pascal COLIN	Charlotte VANDEPUTTE	Franck BOYER	Virginie CHAUVIN

Financial statements

Balance sheet

Assets

(EUR million)	Note	As at 31/12/2011	As at 31/12/2012	As at 31/12/13
I. Cash, central banks and postal checking accounts	*2.1*	1,650	691	1,077
II. Government securities	*2.2*	1,751	2,339	2,939
III. Interbank loans and advances	*2.3*	40,728	36,857	34,525
IV. Customer loans and advances	*2.4*	41,617	39,238	36,734
V. Bonds and other fixed-income securities	*2.5*	49,362	51,396	40,620
VI. Equities and other variable-income securities	*2.6*	246	210	182
VII. Long-term equity investments	*2.7*	2,520	1,251	1,173
VIII. Intangible assets	*2.8*	37	35	25
IX. Tangible fixed assets	*2.9*	7	8	6
X. Unpaid capital		0	0	0
XI. Uncalled capital		0	0	0
XII. Treasury stock		0	0	0
XIII. Other assets	*2.10*	25,880	26,135	19,511
XIV. Accruals	*2.10*	16,121	14,158	8,941
TOTAL ASSETS		**179,919**	**172,318**	**145,733**

Liabilities and equity

(EUR million)	Note	As at 31/12/2011	As at 31/12/2012	As at 31/12/2013
I. Interbank borrowings and deposits	*3.1*	78,737	56,803	42,484
II. Customer deposits	*3.2*	722	267	241
III. Debt securities	*3.3*	72,096	89,812	84,490
IV. Other liabilities	*3.4*	2,904	2,148	4,098
V. Accruals	*3.4*	18,085	17,258	10,607
VI. Provisions for risks and charges	*3.5*	4,271	3,542	1,346
VII. General banking risks reserve		0	0	0
VIII. Subordinated debt	*3.6*	2,214	550	539
EQUITY	***3.7***	**890**	**1,938**	**1,928**
IX. Capital stock		501	1,286	1,286
X. Additional paid-in capital		4,870	1,885	1,885
XI. Reserves and retained earnings		(46)	(300)	(1,218)
XVII. Net income (loss) for the year		(4,435)	(933)	(25)
TOTAL LIABILITIES AND EQUITY		**179,919**	**172,318**	**145,733**

Off-balance sheet items

(EUR million)		Note	As at 31/12/2011	As at 31/12/2012	As at 31/12/2013
COMMITMENTS GIVEN					
I.	Financing commitments given	*4.1*	24,002	20,771	9,980
II.	Guarantee commitments given	*4.2*	52,438	43,521	37,542
III.	Other commitments given	*4.3*	47,361	60,404	59,981
COMMITMENTS RECEIVED					
IV.	Financing commitments received	*4.4*	3,850	2,265	9,448
V.	Guarantee commitments received	*4.4*	29,975	24,930	21,140
VI.	Commitments related to securities	*4.5*	2,187	162	876
VII.	Commitments related to foreign currency transactions	*4.6*	94,294	79,735	81,590
VIII.	Commitments related to forward and derivative financial instruments	*4.7*	449,272	384,661	281,467

Income statement

(EUR million)		Note	As at 31/12/2011	As at 31/12/2012	As at 31/12/2013
I.	Interest income	*5.1*	8,215	6,463	9,560
II.	Interest expense	*5.1*	(9,019)	(6,643)	(9,228)
III.	Income from variable-income securities	*5.2*	134	27	18
IV.	Fee and commission income	*5.3*	14	7	2
V.	Fee and commission expenses	*5.3*	(24)	(19)	(26)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	*5.4*	(191)	(158)	(177)
VI. B	Net gains (losses) on available-for-sale portfolio transactions	*5.4*	(1,392)	1,538	(83)
VI. C	Net gains (losses) on held-to-maturity portfolio transactions		0	0	0
VII.	Other banking income	*5.8*	1	2	4
VIII.	Other banking expenses	*5.8*	0	0	0
NET BANKING INCOME (LOSS)			**(2,262)**	**1,217**	**70**
IX.	General operating expenses	*5.5*	(167)	(219)	(222)
X.	Depreciation and amortisation		(25)	(18)	(13)
GROSS OPERATING INCOME (LOSS)			**(2,454)**	**980**	**(165)**
XI.	Cost of risk	*5.6*	(529)	(363)	225
OPERATING INCOME (LOSS) AFTER COST OF RISK			**(2,983)**	**617**	**60**
XII.	Net gains (losses) on non-current assets	*5.7*	(916)	(1,534)	34
INCOME (LOSS) BEFORE TAX			**(3,899)**	**(917)**	**94**
XIII.	Non-recurring items	*5.9*	0	0	0
XIV.	Corporate income tax	*5.10*	(536)	(16)	(119)
XV.	Net change in general banking risks reserve		0	0	0
NET INCOME (LOSS)			**(4,435)**	**(933)**	**(25)**
BASIC EARNINGS PER SHARE (EUR)			(50.95)	(4.17)	(0.11)
FULLY DILUTED EARNINGS PER SHARE (EUR)			(50.95)	(4.17)	(0.11)

Notes to the financial statements

Accounting policies and valuation methods

1.1. Significant events in 2013

The Dexia Group actively carried on the implementation of its orderly resolution plan validated by the European Commission.

• Finalization of the disposals of operating entities planned in the orderly resolution plan:

– On 31 January 2013, Dexia finalised the sale of the Société de Financement Local (SFIL), a proprietary holding of the Caisse Française de Financement Local (CAFFIL, formerly Dexia Municipal Agency (DMA)) to the French State as the majority shareholder, Caisse des Dépôts and Banque Postale for an amount of 1 euro . The effects of this disposal had been fully provisioned in the accounts of the year 2012,

– On April 2, 2013, Dexia Bail was sold to a company controlled by Sofimar. An additional EUR 6 million loss was recorded in the 2013 result taking the overall loss on the sale to EUR 16 million,

– On 6 September 2013, Public Location Longue Durée (Public LLD) was sold to Arval Service Lease, for an amount of EUR 0.40 million generating a loss of EUR 1 million,

– On 30 September 2013, Dexia finalized the sale of Sofaxis to the Société Hospitalière d'Assurances Mutuelles (SHAM), the MGEN Group and the Mutuelle Nationale Territoriale (MNT) for a fixed price of EUR 136 million. This sale generated a gain of EUR 81 million in the consolidated accounts,

– On 4 October 2013, Domiserve and its subsidiary Domiserv+ were sold to AXA Assistance Participations, for an amount of EUR 2 millions generating a loss of EUR 1.3 million,

– On 22 November 2013, the Group sold its 40% holding in Exterimmo to the Caisse des Dépôts.

• Within the framework of the Group's orderly resolution plan, a funding guarantee was granted to Dexia by the three Belgian, French and Luxembourg States and came into force on 24 January 2013, for a period extending until 31 December 2021. This guarantee replaces the December 2011 guarantee scheme in relation to new securities issued under the guarantee. The 2013 guarantee mechanism covers amounts up to EUR 85 billion in principal over the short and long term. It includes the financings raised under the 2011 guarantee scheme. The maximum maturity on the securities issued under the guarantee has been set at 10 years in order to give the Group the possibility to carry its assets at the long term.

The remuneration of the 2013 guarantee has been set at 5 basis points per year, enabling the Dexia Group to achieve a significant reduction of its funding costs. The costs paid in 2012 under the provisional guarantee was an average of 85 basis points.

The short and long-term debt guarantee programs for Dexia Crédit Local are rated respectively at A-1+ and AA by Standard & Poor's, at F1+ and AA by Fitch Ratings and at P1 and Aa3 with stable outlook by Moody's, reflecting the outlook for the sovereign Belgium, the main guarantor.

A reparation law was published on 28 June 2013, in Belgium, containing measures for legislative ratification of the Royal Decrees authorising the grant of the State guarantees to Dexia. Since the granting of this funding guarantee by Belgium, France and Luxembourg on 24 January 2013, Dexia Crédit Local has launched two long-term State-guaranteed funding programs, in euro (EMTN) and in US dollar (US MTN), which were given a favorable welcome by investors. In 2013 this enabled a total of EUR 7.1 billion in long-term guaranteed funding to be raised via three public benchmark issues : an inaugural issue in Euro on 2 July 2013, with a maturity of 3 years, followed by a 3-year issue in US dollars and a 5-year issue in Euro, as well as private placements.

As at 31 December 2013, the total outstanding amount under the guarantee mechanism set up in 2008 represents EUR 9.7 billion and the outstanding amount under the mechanisms set up in 2011 and 2013 represents EUR 65.7 billion. The total expense recognized by Dexia Crédit Local and its subsidiaries as a remuneration of these guarantees was EUR 154 million as at 31 December 2013 (versus EUR 967 million as at 31 December 2012);

• As part of the objective of carrying the assets over the long term, DCL proceeded on 1 January 2013 to an accounting reclassification from "available for sale" portfolio to "held to maturity" securities. This reclassification affected an amount of EUR 14 billion of assets and a reduction of EUR 2.40 billion was recorded on the assets side due to this change of management intention;

• On 12 July 2013, the Austrian banking subsidiary of Dexia Crédit Local, Dexia Kommunalkredit Bank (DKB) was dissolved without liquidation by way of cross-border merger by absorption by its 100% parent company. Dexia Crédit Local acquired all of the asset and liability elements of DKB. A merger surcharge of EUR 50 million was recorded in the 2013 result. This merger is entirely consistent with the aim of simplifying the legal organisation of the Dexia Group and rationalising the management of its assets;

• In order to reduce the litigation risk related to structured credits, DCL followed an extremely active desensitisation policy in 2013. These actions were accompanied by new production flows within the framework of the production envelope of EUR 600 million granted by the European Commission. Between February and July 2013, DCL contacted the 222 clients which held at least one structured sensitive credit. Without any specific grounds, all these clients received an offer to refinance their structured loans at a fixed rate. This desensitisation policy allowed to reduce the outstanding of sensitive credits by 22%.

As at 31 December 2013, Dexia Crédit Local had received 219 summonses from clients, of which 41 have an outstanding at the bank, the remainder being on the balance sheet of SFIL. DCL did not make any representation or give any warranty as to the loan assets of CAFFIL at the occasion of its divestment in January 2013, but DCL, as the legal representative of DMA up to the time of the sale, under certain conditions continues to be responsible for damages awarded to a borrower resulting from an infringement of its contractual or regulatory obligations in the origination or commercialisation of structured credits held by CAFFIL at the time of its divestment.

A provision for litigations linked to structured credits in France subject to a writ of summons was recorded for an amount of EUR 63 million in 2013;

- A net provision of EUR -90 million was recognized on the city of Detroit, placed under Chapter 9 bankruptcy protection on 18 July 2013 and a EUR -52 million impairment was recorded in the consolidated result following the deterioration of the financial situation of Puerto Rico;
- DCL is now using a discount curve based on the daily rate (OIS),to calculate the market value of collateralised derivatives. Dexia also adjusted its methodology for calculating the counterparty risks on derivatives. These changes of the parameters used for the valuation of derivatives led, in 2013, to a negative impact on DCL's consolidated income of EUR 126 million;
- The 2014 French Finance Act abolished the 2013 medium and long term credits tax depreciation. Therefore, Dexia Crédit Local recorded a regulatory provision release of EUR 309 million.

1.2. Accounting policies and valuation methods used to present the financial statements

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2013 were established in accordance with the accounting rules applicable to a going concern, which assume a certain number of hypotheses explained within the framework of previous accounting closures and detailed hereunder.

These hypotheses of continuity rely on a business plan which served as the basis for the establishment of a resolution plan for the Dexia Group. This business plan assumption that Dexia will regain funding capacity on the markets, more particular through the funding guarantee granted to the Belgian, French and Luxembourg States on 24 January 2013. This relies moreover on the operational character of the guarantee as well as a restoration of confidence on the capital markets. From this perspective, the Group and Dexia Crédit Local funding structure evolved favourably in 2013, with successful issues under the Euro Medium Term Notes (EMTN) and US Medium Term Notes (USMTN) programmes under guaranteed format, the successful implementation of short-term issue programmes under guaranteed format in the United States and in the eurozone and the obtaining of new short and medium-term secured funding. The year 2013 was marked by a progression of the market funding, at a lower cost than anticipated under the business plan and at longer maturities, as well as by a reduced use of central bank funding. These points are detailed in the Chapter "Information on capital and liquidity" of this reference document.

The plan assumes that the different entities maintain their banking licence, even in the case of a possible non-compliance with certain regulatory ratios. It also relies on the maintenance of the rating of Dexia SA and Dexia Crédit Local SA.

The macroeconomic hypotheses underlying the business plan, validated by the Group's Board of Directors on 14 November 2012, were revised within the framework of a review of the entire annual plan. Initially, the macroeconomic scenario underlying the business plan, which is based on market data as observed at end September 2012, anticipated a worsening of the 2013 recession followed by a progressive recovery as from 2014 as well as constant credit margins until 2014, which would then decline towards their historical average (2004-2011) until 2018 in order to maintain this level the following years. The update of the plan in 2013 is based on a scenario with a longer exit from the crisis but a less severe shift of credit margins. In particular, it integrated lower interest rates and took into account a revision of the funding plan based on the latest observable market conditions as well as the latest regulatory developments known, including the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard and the impact of the use of an OIS curve for the valuation of OTC derivatives. A new update of the plan will be performed in the second quarter of 2014.

The business plan thus revised and ratified by Dexia SA's Board of Directors on 6 August 2013 does not lead to any significant deviation over the term of the plan compared to the plan initially validated. Some uncertainties remain however, associated with its realisation. The plan is sensitive in particular to the evolution of interest rates and the credit environment, an unfavourable development of which would adversely affect the performance of Dexia and Dexia Crédit Local. The latest update of the plan in June 2013 shows that a decline of 10 basis points of the interest rate at ten years would result in an increase of EUR 1.1 billion of the liquidity need due to cash collateral, i.e. the deposits or the financial securities posted by Dexia to its counterparties in order to guarantee interest rate or currency swaps. This need, if the liquidity reserves would not be sufficient, would be financed at the interest rate of the Emergency Liquidity Assistance (ELA), which is the most expensive funding source for Dexia Crédit Local, and would generate an additional cost of EUR 170 million over the time period 2014-2022.

More conservative assumptions with respect to rating improvements and/or the tightening of the credit spreads as from 2014 would also have a negative impact on the income statement as well as on the available liquidity reserves and would increase the required level of regulatory capital as from 2014.

The plan is also sensitive to regulatory and accounting developments, in particular the implementation of the IFRS 9 accounting standard.

The business plan is based, moreover, on the assumption of a restoration of confidence on the capital markets allowing, on the one hand, the financing of a part of Dexia and Dexia Crédit Local's assets through repo 's and, on the other hand, the placement of its short and long term guaranteed debt in the market, with total outstanding issued under the 2013 guarantee reaching up to EUR 40 billion in 2015. This assumes that Dexia retains a robust funding capacity based in particular on investor appetite for guaranteed debt and secured funding. If the absorption capacity of the market is reduced, Dexia Crédit Local would have to use more expensive funding sources which would immediately impact the expected profitability under the business plan. As such, the latest update of the plan in June 2013 showed that EUR 1 billion per year financed at the ELA rate rather than at the rate applicable to short-term guaranteed funding, would have an impact of EUR -129 million over the time period 2014-2022.

Conversely, should the market appetite for Dexia guaranteed debt be larger than anticipated, this would reduce or even eliminate the dependence of Dexia Crédit Local from ELA, and result in a positive impact on the profitability of the plan.

Finally, to this date, some uncertainties remain on the Asset Quality Review (AQR), in particular to the definition of the scope of review and of the methodology that will be applied with respect to the specific situation of Dexia and the impact of its conclusions for the Group and for Dexia Crédit Local.

The balance sheet, income statement and off-balance sheet items are presented in accordance with the standards applicable to banks.

The financial statements have been prepared in accordance with the principles and standards contained in European Council Directives governing the financial statements of banking institutions, in compliance with CRB Regulation 91-01 and CRC Regulation 00-03, regarding the preparation of individual financial statements.

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 summary financial statements have been prepared in accordance with the rules of prudence, and fundamental accounting principles:

- going concern assumption;
- matching principle;
- consistency criterion.

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 are 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.

Non-performing loans are considered to be doubtful as soon as it becomes apparent that they will probably or certainly not be repaid. Non-performing loans are defined as follows: local authority loans with instalments that are more than nine months overdue; real estate loans with instalments that are more than six months overdue; and other loans with instalments that are more than three months overdue. Loans to borrowers that have been subject to formal alert procedures or filed for bankruptcy are classified as loans under collection, this category being analysed in the notes to the financial statements in the same way as non-performing loans.

Impairment on non-performing loans is computed on the basis of the estimated loss exposure. Interest is written down in full.

Non-performing loans are considered to be doubtful as soon as their repayment becomes highly uncertain and it becomes apparent that they will eventually be written off.

Non-performing loans are downgraded from "under collection" to "doubtful" either one year at the latest after becoming non-performing, or immediately if the loan had previously been classified as a restructured performing loan. The interest on these loans is no longer included in interest income once they have been classified as doubtful non-performing.

Loans that have been restructured under non-market conditions are included in the second 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 CRC Regulation 2005-01 that amended CRB Regulation 90-01, they are broken out in the notes to the financial statements into "Held-for-trading securities", "Available-for-sale securities" and "Held-to-maturity 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 honour its repayment obligations appears uncertain; or
- 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 re-measured 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 re-measured using the valuation principles applicable to held-for-trading securities.

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; or

• underpin banking relations with the company concerned.

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, i.e. the fair value based on the utility of the investment to Dexia Crédit Local.

In the case of companies whose net assets are at least equal to their value when the last shares were acquired, with prior-year positive earnings or an outlook for genuine recovery in the current year, value in use to the Group is considered as being at least equal to the historical cost of the investment. In all other cases, a range of criteria are applied to determine the possible need to record a provision for impairment in value in accordance with the prudence principle.

In accordance with CRB Regulation 89-01, differences arising on translation at the year-end rate of investments denominated in foreign currencies that are financed in euros are taken to equity, under "Accumulated translation adjustments", and not to the income statement.

In the event of disposal of part of the Group's interest in an associate, the resulting gain or loss is determined on a FIFO basis.

Other long-term investments

This category comprises variable-income securities acquired with the aim of developing long-term business ties with the issuer, although Dexia Crédit Local is not in a position to influence the management of the issuer due to the small proportion of voting rights held. Other long-term securities are taken to the balance sheet at cost, excluding acquisition costs. At each period end, they are stated at the lower of historical cost and fair value. The fair value is determined for listed and unlisted securities held over the long term based on the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. Gains and losses on disposals of long-term investment securities are determined on a FIFO basis.

Tangible and intangible assets

These assets are stated at cost and depreciated or amortised using the straight-line method over their estimated useful life, at the rate at which their future economic benefits are consumed.

Unless otherwise stated, furniture and fixtures are depreciated over ten years and office equipment generally over five years. Software is amortised over three to five years.

Other assets

This heading includes mainly collateral (guarantee deposits) receivable under swap transactions, which is recognised at its carrying amount.

Debt securities

Debt securities include bonds and negotiable debt securities.

Bonds

Bonds are recorded at face value. All related accrued interest is computed at contractual rates and recorded under interest expense.

Zero-coupon bonds are recorded at their issue price. At each period end, accrued interest for the period, computed on the basis of the yield to maturity announced at the time of issue, is charged to the income statement as expenses on debt securities and an equivalent amount is added to the debt on the liabilities side of the balance sheet until the maturity date so as to gradually increase the carrying amount of the debt to the amount repayable at maturity.

Bond issuance costs are deferred and amortised on a straight-line basis over the life of the bonds. Since 1 January 2005, premiums paid or received on bonds acquired by Dexia Crédit Local are recognised directly through profit or loss.

Bonds denominated in foreign currencies are accounted for in the same way as foreign currency transactions.

Negotiable debt securities

Negotiable debt securities are stated at face value. Interest on medium-term notes, BMTN (domestic short- or medium-term notes) and negotiable certificates of deposit is recorded under "Interest expense" on an accrual basis. Prepaid interest on commercial paper is recorded under "Accrued assets" on the transaction date and amortised over the residual life of the paper.

Discounts and premiums on debt securities

Bond discounts and premiums and redemption premiums are amortised on a straight-line basis over the remaining life of the bonds from the date of acquisition. They are recorded on the consolidated balance sheet under the relevant liabilities accounts. Amortisation is taken to the income statement under "Interest expense on bonds and other fixed-income securities".

Other liabilities

This heading includes mainly collateral (guarantee deposits) payable under swap transactions, which is recognised at its carrying amount.

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 there is objective evidence that probable losses are present in certain segments of the portfolio or other lending-related commitments at the balance sheet date. These losses are estimated based upon experience, historical patterns of losses in each segment and the current economic environment in which the borrowers operate. For this purpose, Dexia Crédit Local has developed credit risk models using an approach that combines default probabilities and losses given default.

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.

These reserves also include provisions for deferred taxes.

Subordinated liabilities

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 Article 4-d of CRB Regulation 90-02.

Forward and derivative financial instruments

Dexia Crédit Local uses forward and derivative financial instruments in the normal course of business, mainly as hedges against interest rate and currency risks and, to a lesser extent, in order to take advantage of favourable interest rate and currency trends. The instruments used include interest rate and/or currency swaps, FRAs, caps, floors, interest rate options, futures, credit default swaps and credit spread options.

Forward and derivative financial instruments are valued and accounted for in four transaction categories, in accordance with CRB Regulations 88-02, 90-15 and 92-04 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 equalization 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 equalization 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.

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 equalization 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 recognized 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 CRBF Regulation 97-02 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, the Dexia Crédit Local New York branch 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 CRB Regulation 90-15.

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 CRB Regulation 89-01, 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 CRB Regulation 89-01, 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 CRB Regulation 89-01, as amended by Regulation 90-01, 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 income and expenses result from events or transactions that do not relate to the ordinary business operations or routine management of the Company's assets and liabilities.

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

The standard French corporate income tax rate and the rate used for deferred taxes is 34.43%.

The income of foreign subsidiaries is taxed at the rates prevailing in the countries in which they operate.

Tax consolidation

Dexia Crédit Local has adopted the tax consolidation method. The Dexia SA *établissement stable* in France became head of the tax consolidation group that includes Dexia Crédit Local on 1 January 2002.

The *établissement stable* alone is liable for the payment of corporate income taxes and the annual fixed taxes paid each year by the Group as a whole. In its individual financial statements, Dexia Crédit Local recognises its income tax expense on a stand-alone basis.

The Dexia SA *établissement stable* records the benefits achieved through tax consolidation (excluding the scope of Dexia Crédit Local).

An amendment to the tax convention between Dexia SA *établissement stable* and Dexia Crédit Local, signed in 2011, now allows the tax savings generated by Dexia Crédit Local and its subsidiaries to be reallocated to Dexia Crédit Local.

In terms of calculating Dexia Crédit Local's tax contribution, a second amendment, signed between Dexia ES and Dexia Crédit Local in 2012, is intended to eliminate subsidies received from Dexia ES when they are neutralised in connection with the tax consolidation group's overall earnings.

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 SA, Place du Champ de Mars 5, B-1050 Brussels, Belgium.

2. Notes on the assets

2.1. Cash, balances with central banks and post offices (item I – assets)

a. Accrued interest

(EUR million)	0

b. Detailed analysis, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Cash	0	0
Deposits with central banks and issuing institutions	691	1,077
Deposits with postal checking accounts	0	0
TOTAL	691	1,077

2.2. Government securities eligible for Central Bank refinancing (item II – assets)

a. Accrued interest

(EUR million)	97

b. Analysis by residual to maturity, excluding accrued interest

(EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As at 31/12/2013
	100	110	470	2,162	**2,842**

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

	Banking activity and other			Total
(EUR million)	Held for trading	Available for sale	Held to maturity	
Cost as at 31/12/2012	**35**	**2,725**	**0**	**2,760**
Movements for the year:				
• acquisitions	0	300	0	300
• disposals and redemptions	0	(175)	(46)	(221)
• transfers	0	(2,244)	2,244	0
• translation adjustments	3	0	0	3
• other	0	0	0	0
Cost as at 31/12/2013	**38**	**606**	**2,198**	**2,842**
Impairment as at 31/12/2012	**0**	**(475)**	**0**	**(475)**
Movements for the year:				
• charges	0	0	0	0
• recoveries	0	475	0	475
• translation adjustments	0	0	0	0
• other	0	0	0	0
Impairment as at 31/12/2013	**0**	**0**	**0**	**0**
NET CARRYING AMOUNT AS AT 31/12/2013	38	606	2,198	2,842

As at 31 December 2013, there were EUR 39 million in securities lent in the available-for-sale portfolio and EUR 211 million in the held-to-maturity portfolio.

Additional information concerning government securities is provided in note 2.5.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

d. Transfers between portfolios

	From "Available for sale" portfolio to "Held to maturity"
Carrying amount of assets reclassified as at January 1, 2013	2,244
Carrying amount of assets reclassified as at December 31, 2013	2,283
Fair value of reclassified assets as at December 31, 2013	3,243
Premium/Discount as at January 1, 2013	1,150
Premium/discount amortization through net income	50

e. Listed and unlisted securities, excluding accrued interest

An analysis of listed and unlisted securities is presented in note 2.5.g.

f. Unrealised capital gains and losses on securitie

(EUR million)	As at 31/12/2012	As at 31/12/2013
Unrealized gains/losses (differences between market value and carrying amount)	(8)	(5)

g. "Available for sale" and "Held to maturity" portfolios, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Unrealised gains (redemption value higher than carrying amount)	30	112
Unrealised losses (redemption value lower than carrying amount)	123	1,273

2.3. Interbank loans and advances (item III – assets)

a. Accrued interest

(EUR million)	24

b. Analysis by residual to maturity, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	13,558	3,126	3,126	0	0	0
Term loans and advances	23,235	31,375	23,353	870	3,677	3,475
TOTAL	36,793	34,501	26,479	870	3,677	3,475

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

VALUATION OF RISK	As at 31/12/2012	As at 31/12/2013		
(EUR million)	Total	Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	20	1	0	1
Accumulated impairment	(4)	(1)	0	(1)
NET NON-PERFORMING LOANS	16	0	0	0

d. Analysis by degree of subordination, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Subordinated interbank loans	740	902
Non-subordinated interbank loans	22,495	30,473
TOTAL	23,235	31,375

e. Analysis of subordinated non-performing loans, excluding accrued interest

VALUATION OF RISK (EUR million)	As at 31/12/2012 Total	As at 31/12/2013 Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	0	0	0	0
Accumulated impairment	0	0	0	0
NET NON-PERFORMING LOANS	**0**	0	0	0

2.4. Customer loans and advances (item IV – assets)

a. Accrued interest

(EUR million)	263

b. Analysis by residual maturity, excluding accrued interest

(EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	No fixed maturity or not analysed	As at 31/12/2013
	1,811	2,265	7,742	24,653	0	**36,471**

c. Analysis by type of borrower, excluding accrued interest

(EUR million)	As at 31/12/2012 Total	As at 31/12/2013 Public sector	Other sectors	Total
Performing loans	38,468	16,564	19,526	36,090
Restructured performing loans	0	0	0	0
Non-performing loans under collection	290	49	168	217
Doubtful non-performing loans	185	0	164	164
TOTAL	**38,943**	**16,613**	**19,858**	**36,471**

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

VALUATION OF RISK (EUR million)	As at 31/12/2012	As at 31/12/2013
Gross non-performing loans under collection	411	328
Accumulated impairment	(121)	(111)
NET NON-PERFORMING LOANS UNDER COLLECTION	**290**	**217**
Gross doubtful non-performing loans	250	245
Accumulated impairment	(65)	(81)
NET DOUBTFUL NON-PERFORMING LOANS	**185**	**164**

e. Analysis by degree of subordination, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Subordinated customer loans	0	0
Non-subordinated customer loans	38,943	36,471
TOTAL	38,943	36,471

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

a. Accrued interest

(EUR million)	386

b. Analysis by residual maturity, excluding accrued interest

(EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As at 31/12/2013
	1,246	1,289	6,836	30,863	40,234

c. Analysis by type of issuer, excluding accrued interest

Analysis by type of issuer, excluding accrued interest (EUR million)	As at 31/12/2012	As at 31/12/2013
Public sector issuers	14,771	14,075
Other issuers	36,273	26,159
TOTAL	**51,044**	**40,234**

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

	Banking activity and other			Total
(EUR million)	Held for trading	Available for sale	Held to maturity	
COST AS AT 31/12/2012	**9,184**	**42,049**	**719**	**51,952**
Movements for the year:				
• acquisitions	3,894	1,475	34	5,403
• disposals and redemptions	(8,630)	(5,465)	(993)	(15,088)
• transfers	0	(9,272)	9,272	0
• other movements	0	10	0	10
• translation adjustments	(569)	(607)	(25)	(1,201)
COST AS AT 31/12/2013	**3,879**	**28,190**	**9,007**	**41,076**
IMPAIRMENT AS AT 31/12/2012	**0**	**(794)**	**(114)**	**(908)**
Movements for the year:				
• charges	0	(481)	0	(481)
• recoveries	0	327	96	423
• transfers	0	31	0	31
• other movements	0	0	0	0
• translation adjustments	0	93	0	93
IMPAIRMENT AS AT 31/12/2013	**0**	**(824)**	**(18)**	**(842)**
NET CARRYING AMOUNT AS AT 31/12/2013	**3,879**	**27,366**	**8,989**	**40,234**

As at 31 December 2013, there were EUR 182 million in securities lent in the held-for-trading portfolio, EUR 12.8 billion in the available-for-sale portfolio and EUR 2.7 billion in the held-to-maturity portfolio. As at 31 December 2013, there were EUR 882 million in securities borrowed in the held-for-trading portfolio.

e. Analysis by type of portfolio

	As at 31/12/2012				As at 31/12/2013			
(EUR million)	Held for trading	Available for sale	Held to maturity	Total	Held for trading	Available for sale	Held to maturity	Total
Government securities	**35**	**2,304**	**0**	**2,339**	**38**	**618**	**2,283**	**2,939**
Gross carrying amount	35	2,818	0	2,853	38	642	3,322	4,002
Premiums/discounts	0	(93)	0	(93)	0	(36)	(1,124)	(1,160)
Related receivables	0	54	0	54	0	12	85	97
Impairment	0	(475)	0	(475)	0	0	0	0
Market value	35	2,446	0	2,481	38	701	3,243	3,982
Bonds and other fixed-income securities	**9,184**	**41,605**	**607**	**51,396**	**3,879**	**27,621**	**9,120**	**40,620**
Gross carrying amount	9,184	42,207	724	52,115	3,879	28,245	10,118	42,242
Premiums/discounts	0	(158)	(5)	(163)	0	(49)	(1,111)	(1,160)
Related receivables	0	350	2	352	0	255	131	386
Impairment	0	(794)	(114)	(908)	0	(830)	(18)	(848)
Market value	9,184	48,420	626	58,230	3,879	33,555	12,725	50,159
Equities and other variable-income securities	**0**	**210**	**0**	**210**	**0**	**182**	**0**	**182**
Gross carrying amount	0	251	0	251	0	225	0	225
Premiums/discounts	0	0	0	0	0	0	0	0
Related receivables	0	0	0	0	0	0	0	0
Impairment	0	(41)	0	(41)	0	(43)	0	(43)
Market value	0	257	0	257	0	197	0	197
Total securities portfolio	**9,219**	**44,119**	**607**	**53,945**	**3,917**	**28,421**	**11,403**	**43,741**
PROVISIONS FOR RISKS AND CHARGES[(1)]	**0**	**2,525**	**0**	**2,525**	**0**	**836**	**0**	**836**

(1) The EUR 836 million provision for risks and charges concerns 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

	As at 31/12/2012				As at 31/12/2013			
(EUR million)	Held for trading	Available for sale	Held to maturity	Total	Held for trading	Available for sale	Held to maturity	Total
Government securities	**35**	**2,304**	**0**	**2,339**	**38**	**618**	**2,283**	**2,939**
Central governments	35	1,901	0	1,936	38	291	2,283	2,612
Local governments	0	228	0	228	0	139	0	139
Credit institutions	0	175	0	175	0	188	0	188
Bonds and other fixed-income securities	**9,184**	**41,605**	**607**	**51,396**	**3,879**	**27,621**	**9,120**	**40,620**
Central governments	0	1,664	0	1,664	0	1,191	907	2,098
Local governments	85	13,085	28	13,198	45	11,476	524	12,045
Credit institutions	5,943	9,926	563	16,432	1,268	5,046	2,481	8,795
Other private-sector entities	3,156	16,930	16	20,102	2,566	9,908	5,208	17,682
Equities and other variable-income securities	**0**	**210**	**0**	**210**	**0**	**182**	**0**	**182**
Equities and other variable-income securities	0	124	0	124	0	94	0	94
Mutual funds	0	86	0	86	0	88	0	88
Total securities portfolio	**9,219**	**44,119**	**607**	**53,945**	**3,917**	**28,421**	**11,403**	**43,741**

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

g. Analysis by listing of securities

(EUR million)	As at 31/12/2012 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2013 Held for trading	Available for sale	Held to maturity	Total
Government securities	**35**	**2,304**	**0**	**2,339**	**38**	**618**	**2,283**	**2,939**
Listed securities[1]	35	2,300	0	2,335	38	614	2,283	2,935
Unlisted securities	0	4	0	4	0	4	0	4
Bonds and other fixed-income securities	**9,184**	**41,605**	**607**	**51,396**	**3,879**	**27,621**	**9,120**	**40,620**
Listed securities[1]	2,423	21,351	541	24,315	1,112	11,393	7,240	19,745
Unlisted securities	6,761	20,254	66	27,081	2,767	16,228	1,880	20,875
Equities and other variable-income securities	0	210	0	210	0	182	0	182
Listed securities[1]	0	97	0	97	0	99	0	99
Unlisted securities	0	113	0	113	0	83	0	83
Total securities portfolio	**9,219**	**44,119**	**607**	**53,945**	**3,917**	**28,421**	**11,403**	**43,741**

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

h. Analysis by degree of subordination, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
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	51,044	40,234
Total	**51,044**	**40,234**
of which: listed subordinated bonds and other listed subordinated fixed-income securities	0	0

i. Transfers between portfolios

	From "Available for sale" portfolio to "Held to Maturity"
Carrying amount of assets reclassified as at January 1, 2013	9,272
Carrying amount of assets reclassified as at December 31, 2013	8,990
Fair value of reclassified assets as at December 31, 2013	12,568
Premium/Discount as at January 1, 2013	1,267
Premium/discount amortization through net income	72

j. Held-for-trading portfolio, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Mark-to-market gains	227	247

k. Available-for-sale and held-to-maturity portfolios, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Unrealised gains (redemption value higher than carrying amount)	1,408	1,332
Unrealised losses (redemption value lower than carrying amount)	1,664	2,497

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

Valuation of risk (EUR million)	As at 31/12/2012	As at 31/12/2013
Gross non-performing loans under collection	306	246
Accumulated impairment[1]	(122)	(214)
NET NON-PERFORMING LOANS UNDER COLLECTION	**184**	**32**

(1) The increase of impairments is mainly due to the risk on the city of Detroit.

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
(EUR million)	Held for trading	Available for sale	
Cost as at 31/12/2012	**0**	**251**	251
Movements for the year:			
• acquisitions	0	49	49
• disposals and redemptions	0	(71)	(71)
• other movements	0	0	0
• translation adjustments	0	(4)	(4)
Cost as at 31/12/2013	**0**	**225**	**225**
Impairment as at 31/12/2012	**0**	**(41)**	**(41)**
Movements for the year:			
• charges	0	(3)	(3)
• recoveries	0	0	0
• other movements	0	0	0
• translation adjustments	0	1	1
Impairment as at 31/12/2013	**0**	**(43)**	**(43)**
NET CARRYING AMOUNT AS AT 31/12/2013	**0**	**182**	**182**

b. Transfers between portfolios (excluding insurance business)

No transfers were made between portfolios in 2013.

c. Unrealised gains and losses on variable income securities

(EUR million)	Carrying amount as at 31/12/2013	Market value as at 31/12/2013	Net unrealised capital gain as at 31/12/2013
Securities	182	197	15

2.7. Long-term equity investments (item VII – assets)

a. Accrued interest

(EUR million)	0

b. Analysis by type of issuer and movements for the year

(EUR million)	Related parties	Other long-term equity investments	Total
Cost as at 31/12/2012	**5,918**	**31**	**5,949**
Movements for the year:			
• acquisitions	0	131	131
• disposals and redemptions(1)	(1,531)	(154)	(1,685)
• transfers	0	0	0
• translation adjustments	(39)	0	(39)
• other movements	(25)	12	(13)
Cost as at 31/12/2013	**4,323**	**20**	**4,343**
Impairment as at 31/12/2012	**(4,728)**	**30**	**(4,698)**
Movements for the year:			
• charges	0	(5)	(5)
• recoveries(1)	1,480	15	1,495
• reversals	0	0	0
• transfers	0	0	0
• translation adjustments	38	0	38
• other movements	50	(50)	0
Impairment as at 31/12/2013	**(3,160)**	**(10)**	**(3,170)**
NET CARRYING AMOUNT AS AT 31/12/2013	**1,163**	**10**	**1,173**

(1) The movements of EUR (1,531) and EUR 1,480 million correspond mainly to the disposals of Dexia Municipal Agency and Dexia Sofaxis.

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

c. Listing of securities

(EUR million)	Net carrying amount as at 31/12/2013	Market value as at 31/12/2013	Unrealised capital gain as at 31/12/2013
Listed securities	0	0	0
Unlisted securities	1,173		
TOTAL	1,173		

d. Significant investments

(EUR million)	Gross carrying amount as at 31/12/2013	Impairment as at 31/12/2013	Net carrying amount as at 31/12/2013
Listed securities	0	0	0

Unlisted securities	Gross carrying amount as at 31/12/2013	Impair-ment as at 31/12/2013	Net carrying amount as at 31/12/2013	% interest in capital	Interest in capital as at 31/12/2013	Last balance sheet date
TOTAL	4,343	3,170	1,173			
of which						
Dexia Holdings Inc.	2,162	2,162	0	100.00 %	(127)	31/12/13
Dexia Crediop	581	581	0	70.00 %	808	31/12/13
Dexia Kommunalbank Deutschland	793	0	793	100.00 %	743	31/12/13
Dexia Sabadell S.A.	382	382	0	79.01 %	446	31/12/13
CBX.IA 2	100	0	100	70.85 %	93	31/12/13
Dexia Israel Bank Ltd.	56	0	56	65.31 %	116	31/12/13
CBX.IA 1	41	0	41	100.00 %	1	31/12/13
Dexia Flobail	56	0	56	100.00 %	(136)	31/12/13
Dexia CLF Immo	34	17	17	100.00 %	18	31/12/13
Dexia CLF Banque	20	0	20	100.00 %	32	31/12/13
Societé d'Investissement Suisse Luxembourgeoise	17	13	4	100.00 %	4	31/12/13
Dexia Real Estate Capital Markets	46	0	46	100.00 %	48	31/12/13
Dexia CLF Régions Bail	8	0	8	100.00 %	21	31/12/13

2.8. Intangible assets (item VIII – assets)

Detailed analysis and movements for the year

(EUR million)	Start-up costs	Other intangible assets	Total
Gross carrying amount as at 31/12/2012	**0**	**221**	**221**
Movements for the year:			
• increases	0	8	8
• decreases	0	(5)	(5)
• other	0	0	0
• translation adjustments	0	(1)	(1)
Gross carrying amount as at 31/12/2012	**0**	**223**	**223**
Amortisation and impairment as at 31/12/2012	**0**	**(186)**	**(186)**
Movements for the year:			
• charges	0	(16)	(16)
• recoveries	0	3	3
• other	0	0	0
• translation adjustments	0	1	1
Amortisation and impairment as at 31/12/2013	0	(198)	(198)
NET CARRYING AMOUNT AS AT 31/12/2013	**0**	**25**	**25**

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

(EUR million)	Land and buildings	Fixtures, equipment, furniture and vehicles	Other tangible non-current assets	Assets under construction and prepayments	Total
Cost as at 31/12/2012	**0**	**6**	**43**	**0**	**49**
Movements for the year:					
• increases	0	0	0	0	0
• decreases	0	0	(2)	0	(2)
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
Cost as at 31/12/2013	**0**	**6**	**41**	**0**	**47**
Gains as at 31/12/2013	**0**	**0**	**0**	**0**	**0**
Amortisation and impairment as at 31/12/2012	**0**	**(4)**	**(37)**	**0**	**(41)**
Movements for the year:					
• charges	0	0	(2)	0	(2)
• recoveries	0	0	2	0	2
• other	0	0	0	0	0
• translation adjustments	0	0	0	0	0
Amortisation and impairment as at 31/12/2013	**0**	**(4)**	**(37)**	**0**	**(41)**
NET CARRYING AMOUNT AS AT 31/12/2013	**0**	**2**	**4**	**0**	**6**

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

Detailed analysis of other assets and accruals

(EUR million)	As at 31/12/2012	As at 31/12/2013
Premiums paid on swaptions issued	30	22
Premiums paid on options	7	6
Guarantee deposits paid[(1)]	25,575	19,086
Tax receivables	4	0
Deferred tax assets	320	169
Other non-current financial assets	0	0
Other	199	228
TOTAL OTHER ASSETS	**26,135**	**19,511**

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivatives markets.

(EUR million)	As at 31/12/2012	As at 31/12/2013
Premiums and deferred charges on borrowings	34	17
Premiums on loans and other deferred charges on loans	58	47
Premiums and deferred charges on hedging transactions	734	960
Premiums and deferred charges on trading transactions	1,921	1,389
Accrued income on hedging transactions	942	825
Accrued income on trading transactions	9,052	4,544
Unrealised translation losses	556	663
Other accrued income	861	496
TOTAL ACCRUALS	**14,158**	**8,941**

2.11. Analysis of assets by currency

Classification by original currency

(EUR million)	As at 31/12/2013
In EUR	103,290
In other EU currencies	4,864
In all other currencies	37,579
TOTAL ASSETS	145,733

3. Notes on the liabilities and equity

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

a. Accrued interest

(EUR million)	248

b. Analysis by residual maturity, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits[(1)]	19,538	14,273	14,273	0	0	0
Term deposits	37,070	27,963	12,039	1,411	9,454	5,059
TOTAL	56,608	42,236	26,312	1,411	9,454	5,059

(1) Funding from central banks came to EUR 13.5 billion as at 31 December 2013 (EUR 17.4 billion the previous year).

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

a. Accrued interest

(EUR million)	9

b. Analysis by residual maturity, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	0	1	1	0	0	0
Term deposits	254	231	83	45	11	92
TOTAL	254	232	84	45	11	92

c. Analysis by type of issuer, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013
Public sector	0	0
Other sectors	254	231
TOTAL	254	231

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

a. Accrued interest

(EUR million)	308

b. Analysis by residual maturity, excluding accrued interest

(EUR million)	As at 31/12/2012	As at 31/12/2013	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	73,577	73,828	18,510	36,661	16,807	1,850
Debt securities	15,857	10,354	2,227	3,576	2,560	1,991
TOTAL	89,434	84,182	20,737	40,237	19,367	3,841

As at 31 December 2013,Dexia Crédit Local's issues are covered by the State guarantee mechanism for EUR 75.4 billion.
As at 31 December 2013, medium- and long-term borrowings, in the form of Euro Medium-Term Notes, BMTN (domestic short- or medium-term notes) and bonds, amounted to EUR 74 billion.

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

(EUR million)	Interbank and other negotiable debt securities	Debt securities	Securities borrowings	Total
AS AT 31/12/2012	73,577	15,857	0	89,434
Movements for the year				
• new issues	61,975	10,666	792	73,433
• redemptions	(61,355)	(16,160)	0	(77,515)
• translation adjustments	(369)	(801)	0	(1,170)
• other	0	0	0	0
AS AT 31/12/2013	73,828	9,562	792	84,182

3.4. Other liabilities and accruals (item IV and V – liabilities and equity)

Details of other liabilities and accruals

(EUR million)	As at 31/12/2012	As at 31/12/2013
OTHER LIABILITIES		
Guarantee deposits received[(1)]	1,908	3,947
Premiums on options sold	9	5
Other creditors	231	146
TOTAL OTHER LIABILITIES	2,148	4,098
ACCRUALS		
Deferred income on loans	78	62
Discounts recognised on purchase of receivables	0	0
Deferred income on hedging transactions	1,708	1,664
Deferred income on trading transactions	2,170	1,524
Deferred gains on hedging contracts	30	28
Accrued charges on hedging transactions	1,458	1,374
Accrued charges on trading transactions	9,229	4,651
Unrealised translation gains	1,221	394
Other deferred income	2	3
Other accrued charges	260	62
Other accrued liabilities	1,102	845
TOTAL ACCRUALS	17,258	10,607

(1) Evolution of cash collateral received

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

(EUR million)	As at 31/12/2012	Charges	Recoveries	Transfers	Translation adjustments	As at 31/12/2013
PROVISIONS FOR RISKS AND CHARGES	**2,998**	**408**	**(336)**	**(1,848)**	**(62)**	**1,160**
• pensions and similar commitments[1]	6	2	(6)	0	0	2
• financing commitments	132	86	(92)	0	(1)	125
• other financial instruments[2]	2,525	319	(99)	(1,848)	(61)	836
• other risks and charges[3]	335	1	(139)	0	0	197
PROVISIONS FOR DEFERRED TAXES	**209**	**0**	**(42)**	**0**	**0**	**167**
REGULATED PROVISIONS	**335**	**6**	**(322)**	**0**	**0**	**19**
• provisions for medium- and long-term loans[4]	310	0	(310)	0	0	0
• provisions for accelerated tax depreciation	21	6	(10)	0	0	17
• provisions for investments	4	0	(2)	0	0	2
TOTAL	**3,542**	**414**	**(700)**	**(1,848)**	**(62)**	**1,346**

(1) Provisions for termination benefits and long-service awards.
(2) Provisions for risks on other financial instruments are presented in note 2.5.d for the breakdown by portfolio type.
(3) Other provisions for risks and charges in 2013 primarily include a provision relating to the loan desensitisation activity for EUR 63 million, a provision on the subsidiary Dexia Crédito Local México SA for EUR 33 million, and EUR 20 million in provisions for restructuring linked to the closure of the sales network.
(4) Reversal of the regulated provision for credit risk in the medium and long term for EUR 310 million.

3.6. Subordinated debt (item VIII – liabilities and equity)

a. Accrued interest

(EUR million)	5

b. Movements for the year, excluding accrued interest

(EUR million)	Total
AS AT 31/12/2012	**545**
Movements for the year:	
• new issues	0
• redemptions[1]	(30)
• translation adjustments	0
• other movements[2]	19
AS AT 31/12/2013	**534**

(1) Partial repayment of subordinated debt for 30 million.
(2) Subordinated debt resulting from the merger-absorption of Dexia Kommunalkredit Bank.

c. Details of individual subordinated borrowings

Currency	Maturity	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
EUR	01/12/2014	100	a) No early repayment	93.25% CMS
			b) No specific conditions	
			c) No conversion	
EUR	12/02/2019	106	a) Early repayment possible at each due date for interest payments with effect from 12/02/2014 after approval by the French Prudential Control Authority	Fixed rate 4.375 From 12/02/2014 3M Euribor + 0.72
			b) Repayment at par value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	
			c) No conversion	
EUR	09/07/2017	252	a) Early repayment possible at each due date for interest payments with effect from 09/07/2012 after approval by the French Prudential Control Authority	3M Euribor + 0.15 From 09/07/2012, 3M Euribor + 0.65
			b) Repayment at par value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	
			c) No conversion	
EUR	No fixed maturity	56	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	Fixed rate 4.30 from 2015 3M Euribor + 1.73
			b) Repayment at par value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	
			c) No conversion	
EUR	29/10/2018	20	a) Early repayment possible at each due data for interest payments with effect from 02/07/2013 after approval by the French Prudential Control Authority.	EURIBOR 3M+0.15 From 02/07/2013, EURIBOR 3M+ 0.5
			b) Repayment at par value after all creditors but preferred ranking over subordinated profit-sharing loans and preference shares	
			c) No conversion	

3.7. Equity

Detailed analysis of equity

(EUR million)	Montant
AS AT 31 DECEMBER 2012	
Capital stock	1,286
Additional paid-in capital	1,885
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	(235)
Translation adjustments	(115)
Net loss for the year	(933)
Interim dividends	0
EQUITY AS AT 31/12/2012	**1,938**
Movements for the year:	
Capital stock(1)	0
Additional paid-in capital(1)	0
Commitments to increase capital stock and additional paid-in capital	0
Reserves and retained earnings(2)	(933)
Legal reserve	0
Non-distributable reserve(2)	0
Translation adjustments	15
Dividends paid (-)	0
Net loss for the year	(25)
Other movements	0
AS AT 31/12/2013	
Capital stock	1,286
Additional paid-in capital	1,885
Commitments to increase capital stock and additional paid-in capital	0
Legal reserve	50
Non-distributable reserve	0
General reserves	0
Retained earnings	(1,168)
Translation adjustments	(100)
Net loss for the year(3)	(25)
Interim dividends	0
EQUITY AS AT 31/12/2013	**1,928**

(1) The combined Shareholders' Meeting on 7 May 2013 resolved to allocate the EUR 933 million loss for 2012 to retained earnings, bringing the latter to EUR 1,168 million.
(2) Dexia Crédit Local's capital stock amounts to EUR 1,286,032,212, split into 223,657,776 shares with a par value of EUR 5.75.
(3) A proposal was submitted at the Shareholders' Meeting to allocate the net loss for the year to retained earnings.

3.8. Analysis of liabilities and equity by currency

Classification by currency of origin (EUR million)	As at 31/12/2013
In EUR	103,704
In other EU currencies	4,864
In all other currencies	37,165
TOTAL LIABILITIES AND EQUITY	**145,733**

3.9. Other notes to the balance sheet

Transactions with related parties – Analysis by type

(EUR million)			Total	Of which, related parties(1)
Assets	Items III and IV	Interbank loans and advances and Customer loans and advances	71,259	31,147
	Items V, VI and VII	Securities held	41,975	53
	Items XIII and XIV	Other assets and accruals	28,452	2,492
Liabilities	Items I and II	Interbank borrowings and deposits and customer deposits	42,725	2,826
	Items III	Debt securities	84,490	0
	Items VIII	Subordinated debt	539	0
	Items IV and V	Other liabilities and accruals	14,705	816

(1) Related parties correspond to those from the Dexia Group's consolidation scope.

4. Notes on 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 and lines of credit include loans approved but not disbursed as at 31 December 2013.

Analysis by type of beneficiary

(EUR million)	As at 31/12/2012	As at 31/12/2013
Commitments to credit institutions	9,707	1,890
Commitments to customers	9,887	8,066
Commitments given on securities	1,177	24
TOTAL	20,771	9,980

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

a. Analysis by type of beneficiary

(EUR million)	As at 31/12/2012	As at 31/12/2013
Commitments to credit institutions	36,348	32,825
Commitments to customers	7,173	4,717
TOTAL	43,521	37,542

b. Analysis by type of transaction

(EUR million)	As at 31/12/2012	As at 31/12/2013
Guarantee commitments given		
• guarantees	43,521	37,542
• endorsements	0	0
• liens on assets	0	0
TOTAL	43,521	37,542

c. Contingent liabilities and risks and losses not quantifiable at the date of preparation of the financial statements

At the date when the annual financial statements were prepared, there were no contingent liabilities, risks or losses that were not quantifiable.

4.3. Assets pledged as collateral (item III – off-balance sheet)

(EUR million)	As at 31/12/2012(1)	As at 31/12/2013(1)
As collateral for debts and commitments of the Company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	60,404	59,981
TOTAL	60,404	59,981

(1) Carrying amount of the assets pledged.
This item includes notably (1) collateral of EUR 4.50 billion in loans pledged for borrowings from international financial institutions; (2) assets amounting to EUR 41.30 billion pledged as collateral to central banks; and (3) commitments of EUR 2.80 billion given on the New York Branch's tender option bond.

4.4. Financing and guarantee commitments received (items 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.

(EUR million)	As at 31/12/2012	As at 31/12/2013
Financing commitments received from credit institutions	1,066	9,448
Currencies borrowed but not yet received	1,199	0
Guarantees received from credit institutions	4,345	3,100
Guarantees received from local authorities or claims on local authorities acquired as guarantees	6,148	5,957
Other commitments received	14,437	12,083
TOTAL	27,195	30,588

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

a. Analysis by type of transaction

(EUR million)	As at 31/12/2012	As at 31/12/2013
Purchases		
• spot	0	776
• forward	81	50
Sales		
• spot	0	0
• forward	81	50
TOTAL	162	876

b. Isolated open positions

Unrealised gains on isolated open positions	0

4.6. Commitments related to foreign currency transactions (item VII – off-balance sheet)

Spot and forward currency transactions are presented at their value in their accounting currency, translated at the closing foreign exchange rate at year-end.
The line "Foreign currencies to be received" amounted to EUR 41 billion and the line "Foreign currencies to be delivered" to EUR 40 billion as at 31 December 2013.

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 (EUR million)	As at 31/12/2012	As at 31/12/2013	Hedging		*Trading*		Fair value as at 31/12/2013
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio management	
Foreign currency instruments[1]	39,714	40,214	9,709	22,173	2,025	6,307	(1,009)
• forward currency purchases and sales	17,159	22,617	0	21,284	1,333		
• currency and interest rate swaps	22,555	17,597	9,709	889	692	6,307	(1,009)
• 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	384,661	281,467	60,063	110,757	2,471	108,176	(8,038)
Interest rate instruments[2]							
• interest rate swaps	374,430	272,971	55,869	110,757	57	106,288	(8,534)
• futures	1,005	631	0	0	316	315	0
• forward rate agreements	225	151	0	0	151	0	0
• interest rate options	2,577	2,280	605	0	102	1,573	78
Other forward purchases and sales[3]							
• other options	6,424	5,434	3,589	0	1,845	0	418
• other futures	0	0	0	0	0	0	0
• other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	**424,375**	**321,681**	**69,772**	**132,930**	**4,496**	**114,483**	**(9,047)**

(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 (EUR million)	Over-the-counter market	Organised market	Total as at 31/12/2013
Foreign currency instruments	40,214	0	40,214
Other financial instruments			
• interest rate instruments	276,033	0	276,033
• other forward purchases and sales	5,434	0	5,434
TOTAL	**321,681**	**0**	**321,681**

c. Analysis of forward contracts and options

Type of transaction (EUR million)	Forward contracts	Options	Total as at 31/12/2013
Foreign currency instruments	40,214	0	40,214
Other financial instruments			
• interest rate instruments	276,033	0	276,033
• other forward purchases and sales	4,175	1,259	5,434
TOTAL	**320,422**	**1,259**	**321,681**

d. Analysis by residual maturity

Type of transaction (EUR million)	Up to 1 year	1 to 5 years	Over 5 years	Total as at 31/12/2013
Foreign currency instruments	23,553	6,117	10,544	40,214
Other financial instruments				
• interest rate instruments	73,105	51,482	151,446	276,033
• other forward purchases and sales	414	632	4,388	5,434
TOTAL	**97,072**	**58,231**	**166,378**	**321,681**

e. off-balance sheet forward transactions, including securities, currencies and other forward and derivative financial instruments

Commitments related to interest rate derivatives are recorded in compliance with CRBF Regulations 88-02 and 90-15:

- forward contracts are carried at the nominal value of the contracts;
- options are carried at the nominal value of the underlying instrument.

Dexia Crédit Local uses forward financial instruments as part of the three following strategies:

- asset-liability management

This includes all transactions intended to cover and manage the total interest rate exposure of the Company. ALM is carried out primarily through the use of swaps and futures contracts.

- specific hedging

Hedges are used to cover interest rate risks on a specific item or a group of items with similar characteristics, identified at the outset.

Instruments meeting this definition consist primarily of swaps acquired as micro hedges of primary issues, bonds in the available for sale or held to maturity portfolios, and Customer loans. The hedging instruments have the effect of creating synthetic variable or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Foreign currency swaps are also classified as hedges when they are used to transform sources of funding in one currency into the currency used in the transactions they finance in the goal of reducing currency risk.

- position management

The position management strategy includes two types of activities:

– specialist trading portfolio management;

– position-taking.

The specialist trading portfolio management activity includes all transactions entered into with local authorities and the symmetrical transactions executed with banking counterparties. The transactions include primarily interest rate swaps. Specialised duration management is employed for the transactions included in this activity.

Derivatives held in the position-taking portfolio are intended to keep isolated open positions in order to take advantage of any favourable movements in interest rates or exchange rates. These transactions include primarily interest rate swaps and forward foreign exchange transactions.

f. Risk monitoring

Risk is measured by the Risk Management department. The main risk indicator used by Dexia Crédit Local, and throughout the entire Dexia Group, is VaR. The VaR calculated by the Dexia Group measures the potential loss over a 99% confidence interval over a 10-day period.

The risk management system consists of allocating to each entity, and for each type of financial market activity, the following items:

- a list of foreign currencies and transactional structures likely to be used;
- a VaR limit.

4.8. Transactions with related parties

Analysis by type

(EUR million)			Total	Of which, related parties[1]
Off-balance sheet	Item I	Financing commitments given	9,980	6,362
	Item II	Guarantee commitments given	37,542	15,309
	Item IV	Financing commitments received	9,448	0
	Item V	Guarantee commitments received	21,140	2,949
	Items III, VI, VII and VIII	Other commitments given and received	423,914	49,147

(1) Related parties are entities included within the consolidation scope of the Dexia Group.

5. Notes on the income statement

5.1. Interest income and interest expense (items I and II – income statement)

(EUR million)		As at 31/12/2012	As at 31/12/2013
INTEREST INCOME ON:			
Interbank loans	(a)	1,551	418
Customer loans and advances	(b)	1,337	1,153
Bonds and other fixed-income securities	(c)	1,466	1,276
Macro hedging transactions	(d)	2,109	6,713
TOTAL INTEREST INCOME		**6,463**	**9,560**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(2,195)	(723)
Customer deposits	(b)	(292)	(186)
Bonds and other fixed-income securities	(c)	(1,579)	(1,078)
Macro hedging transactions	(d)	(2,577)	(7,241)
TOTAL INTEREST EXPENSE		**(6,643)**	**(9,228)**
NET INTEREST EXPENSE		**(180)**	**332**

a. Interest income and expense on interbank transactions

This item includes a charge of EUR -90 million on transactions with related parties.

It also includes an expense relating to the sovereign guarantee amounting to EUR 154 million in 2013 (EUR 967 million in 2012).

b. Interest income and expenses on customer transactions

Interest income and expenses on customer loans and deposits represented a net amount of EUR 967 million.

It also includes EUR 60 million in income from financing commitments and guarantees.

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

The heading includes EUR 1,276 million in accrued interest on bonds and other fixed-income securities, amortisation of discounts and premiums on held-to-maturity and available-for-sale securities, and the related hedging gains and losses on these securities.

Interest expense amounted to EUR 1,078 million for Dexia Crédit Local.

In addition to interest expense on bonds and other fixed-income securities, the heading also includes interest rate hedging gains and losses on specifically identified negotiable debt, bond and subordinated debt issues.

d. Income and expenses on macro-hedging transactions

Income and expenses on macro-hedging transactions amounted to EUR 6,713 million and EUR 7,241 million respectively. These amounts are included in items I and II of the income statement, respectively.

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

(EUR million)	As at 31/12/2012	As at 31/12/2013
Related parties[1]	21	16
Other related parties and long-term investments	1	1
Equities and other variable-income securities	5	1
TOTAL	**27**	**18**

(1) Includes dividends of EUR 10 million received from the Sofaxis subsidiary in 2013.

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 (EUR million)	As at 31/12/2012	As at 31/12/2013
Loans	4	1
Other financial services	3	1
TOTAL	**7**	**2**

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

Type (EUR million)	As at 31/12/2012	As at 31/12/2013
Loans	0	0
Corporate actions	(14)	(20)
Other financial services	(5)	(6)
TOTAL	**(19)**	**(26)**

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

(EUR million)	As at 31/12/2012	As at 31/12/2013
Gains (losses) on:		
• held-for-trading securities[1]	108	(1)
• foreign currency transactions	27	96
• other financial instruments	(293)	(272)
Sub-total	**(158)**	**(177)**
• available-for-sale and similar securities[1]	1,538	(83)
Sub-total	**1,538**	**(83)**
TOTAL	**1,380**	**(260)**

(1) This line includes gains and losses on disposal and charges or recoveries from provisions in respect of the available-for-sale securities, as well as gains and losses on portfolio securities.

Analysis of gains and losses on disposal and changes in impairment provisions for available-for-sale securities:

(EUR million)	As at 31/12/2012	As at 31/12/2013
• charges to impairment	(2,706)	(1,574)
• recoveries of impairment	4,416	1,369
Sub-total	**1,710**	**(205)**
• disposal losses	(335)	(36)
• disposal gains	163	158
Sub-total	**(172)**	**122**
TOTAL	**1,538**	**(83)**

5.5. General operating expenses (item IX – income statement)

a. Detailed analysis

(EUR million)	As at 31/12/2012	As at 31/12/2013
Personnel costs	**(190)**	**(105)**
• salaries and wages	(79)	(98)
• social security	(49)	(47)
• restructuring cost(1)	(62)	40
Other administrative expenses	**(29)**	**(117)**
• taxes and duties	(26)	(25)
• other administrative expenses	(3)	(92)
TOTAL	**(219)**	**(222)**

(1) The restructuring costs for 2013 are linked to the reversal of the Dexia Crédit Local Group's restructuring provision.
In 2012, a EUR -62 million provision for restructuring was booked following the Dexia Crédit Local's group managed in run-off.

b. Employee information

	31/12/2012	31/12/2013
Total employees as at 31 December	**1,132**	**922**
• executive management	87	59
• other management	798	670
• administrative personnel	247	193
Personnel costs (EUR million)	**(133)**	**(148)**
• salaries and direct benefits	(84)	(101)
• payroll taxes	(32)	(31)
• other personnel costs	(17)	(16)
Provisions for pensions (EUR million)	**5**	**3**
• charges (+)	0	0
• recoveries (-)	5	3
TOTAL	**(128)**	**(145)**

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

(EUR million)	Charges and losses	Reversals and recoveries	Total as at 31/12/2013
Provisions for impairment and losses on loans	(270)	231	(39)
Provisions for risks	(140)	94	(46)
Regulatory provisions	0	310	310
TOTAL	**(410)**	**635**	**225**

The cost of risk came to EUR +225 million in 2013 and essentially comprised:
• a EUR -90 million cost of risk on US counterparties, in particular on the city of Detroit and on Puerto Rico,
• a risk provision relating to the loan desensitisation activity for EUR -67 million,
• a reversal of the EUR 90 million impairment provision on Dexia Kommunalkredit Bank's subordinated securities,
• a reversal of the regulated provision for credit risk in the medium and long term for EUR 310 million.

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

a. Detailed analysis

(EUR million)	As at 31/12/2012		Total as at 31/12/2012	As at 31/12/2013		Total as at 31/12/2013
	Related parties	Other		Related parties	Other	
Charges to impairment	(1,529)	(6)	(1,535)	0	(6)	(6)
Recoveries of impairment[1]	0	43	43	1,634	16	1,650
Sub-total	**(1,529)**	**37**	**(1,492)**	**1,634**	**10**	**1,644**
Disposal losses[1]	0	(43)	(43)	(1,693)	0	(1,693)
Disposal gains[2]	0	1	1	81	2	83
Sub-total	**0**	**(42)**	**(42)**	**(1,612)**	**2**	**(1,610)**
TOTAL	(1,529)	(5)	(1,534)	22	12	34

(1) Of which a reversal of impairments on securities following the disposal of Dexia Municipal Agency and the merge of Dexia Kommunalkredit Bank.
(2) EUR 81 million capital gain on the disposal of Dexia Sofaxis.

b. Analysis by type

(EUR million)	As at 31/12/2012	As at 31/12/2013
Investments in associates	(5)	12
Investments in related parties	(1,529)	22
TOTAL	(1,534)	34

5.8. Other banking income and expenses

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

(EUR million)	As at 31/12/2012	As at 31/12/2013
Other banking income	0	3
Other miscellaneous income	2	1
TOTAL	2	4

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

(EUR million)	As at 31/12/2012	As at 31/12/2013
Other banking expenses	0	0
Other miscellaneous expenses	0	0
TOTAL	0	0

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

(EUR million)	As at 31/12/2012	As at 31/12/2013
Non-recurring income	0	0
Non-recurring expenses	0	0

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

a. Analysis of tax expense

(EUR million)	As at 31/12/2012	As at 31/12/2013
Corporate income tax	26	(13)
Deferred taxes	(42)	(106)
Other	0	0
TOTAL	(16)	(119)

In 2013, the tax rate used for France was 34.43%. The tax rate applicable to foreign branches is generally lower.

In the light of Dexia Crédit Local's position and the likelihood of its ability to recover deferred taxes, deferred taxes have been accrued.

b. Exceptions to the general valuation principles, as provided for by tax law

(EUR million)	As at 31/12/2012	As at 31/12/2013
REGULATORY PROVISIONS	**(1)**	**(1)**
Provision for medium- and long-term loans	0	0
Provision for investments	(1)	(1)
ACCELERATED TAX DEPRECIATION	**0**	**0**

c. Tax consolidation

Dexia SA établissement stable in France became head of the tax consolidation group in 2002. Dexia Crédit Local is part of that group.

An amendment to the tax convention between Dexia SA établissement stable and Dexia Crédit Local, signed in 2011, now allows the tax savings generated by Dexia Crédit Local and its subsidiaries to be reallocated to Dexia Crédit Local.

In terms of calculating Dexia Crédit Local's tax contribution, a second amendment, signed between Dexia ES and Dexia Crédit Local in 2012, is intended to eliminate subsidies received from Dexia ES when they are neutralised in connection with the tax consolidation group's overall earnings.

5.11. Financial relationships with members of the Management Board and the Board of Directors

(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	2.5
Board of Directors	0
TOTAL	**2.5**

AMOUNTS 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

a. Analysis by geographical region

	As at 31/12/2013		
(EUR million)	Net banking income (loss)	Gross operating income (loss)	Net income (loss)
France	(81)	(275)	(40)
Foreign branches	151	110	15
TOTAL	**70**	**(165)**	**(25)**

6. Subsidiaries and equity investments as at 31 December 2013

Company	Capital stock	Additional paid-in capital, reserves and retained earnings	Revenue or net banking income (loss) for last fiscal year	Net income (loss) for last fiscal year
1 – DETAILS OF SUBSIDIARIES AND EQUITY INVESTMENTS WHOSE CARRYING AMOUNT EXCEEDS 1% OF DEXIA CRÉDIT LOCAL'S CAPITAL STOCK				
SUBSIDIARIES (50% TO 100% OF EQUITY)				
(in EUR)				
Dexia Sabadell SA Calle Mahonia, 2 - 4a planta, 28043 Madrid	484,061,000	125,750,027	12,875,914	(45,109,566)
Dexia Crediop Via Venti settembre N. 30 - I00187 Roma	450,210,000	728,580,000	39,003,000	(24,204,000)
Dexia Holdings Inc.* 445 Park Avenue, 7th floor, NY 10022 New York	5,687,788,652	(5,806,913,597)	7,971,621	(7,659,056)
Dexia Kommunalbank Deutschland AG Charlottenstr. 82 - D - 10969 Berlin	432,500,000	312,451,926	20,077,190	(1,583,152)
Dexia CLF Immobilier 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	2,364,700	15,179,072	287,300	230,701
Dexia Israël Bank Ltd 19 Ha'arbaa Str, Hatichon Tower - Tel Aviv 64739	35,316,969	130,388,810	27,873,261	11,336,641
SISL 180, rue des aubépines L 1145 - Luxembourg	1,000,000	3,280,020	0	(87,899)
CBX. IA 1 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	1,506,672	(86,719)	0	(49,517)
CBX. IA 2 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	141,140,624	(17,486,507)	20,125,862	7,396,799
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	56,100,175	(173,925,279)	(1,271,352)	(18,200,580)
Dexia CLF Banque 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	17,171,000	16,047,000	6,867,000
Dexia LDG Banque S.A.* 69, route d'ESCH - L-1470 Luxembourg	149,500,000	(14,878,836)	12,198,043	8,923,939
Dexia Real Estate Capital Markets 1180 NW Maple St., Suite 202 - Issaquah, WA 98027 - USA	14,505,440	33,057,230	(430,644)	924,272
2 – GENERAL INFORMATION				
A – OTHER SUBSIDIARIES NOT INCLUDED IN SECTION 1-A				
– French companies				
– Foreign companies				
B – OTHER SUBSIDIARIES AND EQUITY INVESTMENTS WHERE EQUITY IS LESS THAN 10%				
– French companies				
– Foreign companies				

** Companies that produce financial statements only under IFRS.*

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				
79.01%	382,436,600	0	0	7,942,117,690	5,088,833,990	Bank, credit institution
70.00%	581,223,585	0	0	3,579,760,596	5,112,085,954	Bank, credit institution
100.00%	2,162,985,261	1	0	229,184,798	0	Holding company
100.00%	793,339,375	793,339,375	0	752,828,796	1,000,000,000	Bank, credit institution
100.00%	33,691,141	16,232,208	0	0	0	Real estate financing
65.31%	56,002,387	56,002,387	0	141,949,726	153,005,582	Bank, credit institution
100.00%	16,864,002	3,864,002	0	0	0	Management of equity investments
100.00%	40,857,290	40,857,290	0	25,785,028	714,972	Acquisition of land, buildings and property rights
70.85%	100,000,076	100,000,076	0	175,481,051	93,018,950	Real estate leasing
100.00%	56,111,063	56,111,063	0	552,566,401	1,312,652,006	Lease financing of local investments
100.00%	19,738,631	19,738,631	0	7,357,507,828	875,891,989	Bank, credit institution
100.00%	20,000,001	20,000,001	0	235,000,000	270,000,000	Bank, credit institution
100.00%	46,217,306	46,217,306	0	0	0	Other operator in the financial sector
	11,981,335	11,438,336	0	496,920,001	304,012,413	
	3,877,566	1,276,722	0	215,531,286	0	
	17,758,128	8,342,285	601,133	1,083,151,716	16,095,307	
	8,700	8,700	0	0	0	

Statutory auditors' report on the financial statements

For the year ended December 31st, 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31st, 2013, on:

– the audit of the accompanying financial statements of Dexia Crédit Local ;

– the justification of our assessments;

– the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Dexia Crédit Local as at December 31st, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 to the financial statements which stipulates that the financial statements of Dexia Crédit Local have been prepared on a going concern basis

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments that we bring the following matters to your attention:

Accounting principles

Going concern basis

Our work consisted in assessing the items used by the Board of Directors to justify maintaining the going concern basis of accounting and in gaining an understanding of the underlying documentation and more specifically the business plan and funding forecast.
We also reviewed the information disclosed in the notes to the financial statements with respect to the going concern basis of accounting and related uncertainties.

Accounting estimates

Measurement of financial instruments

In a context of volatility in the financial markets, your Company, as mentioned in note 1.2.b to the financial statements, uses internal methodologies and models to value financial instruments that are not listed on active markets, and for the recognition of any impairment.
Our work consisted in reviewing the control procedures for the identification of financial instruments that can no longer be traded on an active market or whose valuation parameters are no longer observable; in determining the models used to measure them; in evaluating the appropriateness of the data and assumptions; and in verifying that the risks and results related to these instruments were taken into account as well as financial information including sensitivity to alternative assumptions.

Provisions for credit and counterparty risks

As mentioned in note 1.2.b to the financial statements, your company records impairment provisions to cover the credit risks inherent to its.

We examined the system used to control monitoring of credit risks, impairment procedures, evaluation of the risk of non-collection and the level of impairment loss cover provided by specific and collective provisions.

Impairment of securities portfolio

Your Company calculates any impairment of its available-for-sale securities portfolio based on their market value, net of any micro-hedges, as described in the section on "Securities transactions – Available for sale and held to maturity securities" of the note 1.2.b to the financial statements.

Your Company calculates any impairment in its portfolio investments, participating interests and other long-term securities on the basis of their value in use, as described in the sections on "Securities transactions – Portfolio investments" and "Long-term investments – Participating interests and other long-term securities" of the note 1.2.b to the financial statements.

We have assessed the reasonableness of these estimates taking into account the specific context of a still uncertain economic environment and continuing high volatility in financial markets.

Provisions for legal risks

As mentioned in Note 1.1 to the consolidated financial statements, your company has set aside a provision for liabilities and charges in order to cover the litigation risk relating to structured loans.

We analyzed the assumptions used to calculate the provision for litigation, including those relating to the expected changes in the legislative framework and the sharing of responsibility with SFIL and Caffil.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (Code de Commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Neuilly-Sur-Seine and Courbevoie, April 14, 2014

French original signed by the statutory auditors

DELOITTE & ASSOCIÉS		MAZARS	
Pascal COLIN	Charlotte VANDEPUTTE	Franck BOYER	Virginie CHAUVIN

Shareholders' meeting

Statutory auditors' special report on regulated agreements and commitments

Shareholders' Meeting to approve the financial statements for the year ended December 31st 2013.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or that we may have discovered through our engagement, without expressing an opinion on their usefulness and appropriateness, nor seeking to identify such other 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 those agreements for the purpose of approving them.

In addition, it is our responsibility to provide you the information pursuant to article R.225-31 of the French Commercial Code (*Code de commerce*) concerning the execution, during the year just ended, of any authorized agreements or commitments already approved by the Shareholders' Meeting.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Agreements and commitments submitted to the shareholders' meeting for approval

Agreements and commitments authorized during the year just ended

We inform you that we have not been advised of any agreement authorized during the year just ended and requiring submission for approval by the Shareholders' Meeting under article L.225-38 of the French Commercial Code.

Agreements and commitments authorized since December 31st 2013

We were informed of the following agreement authorized since December 31st 2013, and which has been previously authorized by your Board of Directors.

Guarantee provided by Dexia SA to Dexia Crédit Local ("DCL") in the framework of the bid rigging investigation currently underway in the USA

Persons concerned:

Robert de Metz, Karel De Boeck, Alain Clot, Claude Piret, Philippe Rucheton, Koenraad Van Loo, common directors of Dexia Crédit Local (DCL) and Dexia SA.

Nature and purpose:

Dexia SA has provided DCL with an irrevocable on-demand guarantee in respect of any damages and/or other costs for which DCL might be liable in the framework of the investigation currently conducted by the antitrust division of the US Department of Justice, the US tax authorities and the SEC (Securities and Exchange Commission) and focusing on the reasons for non-compliance with the laws and regulations applicable to the requests for tender and implementation of certain transactions with local government bodies including the commercialization of guaranteed investment contracts with issuers of municipal bonds, up to the provision amount in Dexia's books.

Terms:

The guarantee is a direct, unconditional, irrevocable and primary requirement ("First demand Guarantee") of Dexia, not a deposit ("deposit") as defined in Article 2011 and following of the Belgian Civil Code.

This agreement has been authorized by your Board of Directors on March 13, 2014.

Agreements and commitments not previously authorized

Pursuant to articles L.225-42 and L.823-12 of the French Commercial Code, we inform you that the following agreement was not subject to prior authorization by your Board of Directors.

It is our responsibility to communicate to you the reasons for which the procedure of authorization was not applied.

Guarantee agreement in favor of Dexia Crediop provided by DCL

Persons concerned:

Alain Clot, director of DCL and director and vice-president of Dexia Crediop until December 2012.

Nature and purpose:
As support for its subsidiary Dexia Crediop, DCL has provided a EUR 75 million on-demand guarantee valid at least until 2023. In accordance with the guarantee eligibility conditions set by the Bank of Italy, DCL's remuneration was set at 0.8%. This agreement has been approved by your Shareholders' Meeting on May 7th, 2013 following the Statutory Auditor's Special Report dated April 3, 2013.
On December 31st, 2012, consequently to lower rates, the exposure on Terna's counterparty has evidently increased, requiring the increase of DCL's guarantee in order to be compliant with the limit on large exposures established by the Italian regulator. The agreement was amended by an addendum without prior agreement of the board of directors, increasing the guarantee to EUR 100 million. The aim was to react quickly as possible for the regulatory ratios to be met at year end 2013.
The full amount of the guarantee had been called as at December 31st 2013.
DCL recognized EUR 698 thousand of income in respect of this agreement during 2013.

Agreements and commitments already approved by the shareholders' meeting

Agreements and commitments approved in prior years with an impact on the year just ended

Pursuant to article R.225-30 of the Commercial Code, we have been advised that the following agreements and commitments, authorized by Shareholders' Meetings held in previous years, remained in effect during the year just ended.

Tax group agreement

A tax group agreement came into effect as from 1 January 2002 for a (renewable) period of five years. The head of the French tax group is now Dexia Établissement Stable in France, which holds 95% of the capital of Dexia Crédit Local. In accordance with the applicable tax regulations, the agreement provides that the new head of the tax group replaces Dexia Crédit Local as the beneficiary of any related tax savings. This arrangement has been authorized by your Supervisory Board on November 19, 2002. It was amended by an addendum dated December 22, 2011 which was authorized by your Board of Directors on December 22, 2011.
In 2013 DCL recognized EUR 5.3 million of expense adjustment for application of the addendum to the 2012 fiscal year and following final calculation of the tax liability.

Comfort letter granted by DCL to Dexia Kommunalbank Deutschland

A comfort letter has been granted by DCL to Dexia Kommunalbank Deutschland AG, under which DCL has undertaken to ensure compliance by Dexia Kommunalbank Deutschland with its financial commitments and obligations towards the German regulatory authority. This agreement was authorized by your Board of Directors on February 24, 2011.
It had no impact during 2013.

Loan Agreement between DCL and Dexia Holdings Inc.

On June 14, 2011 DCL granted to Dexia Holdings Inc. ("DHI") a USD 500 million credit facility, with a maturity of five years, at a market rate of interest but with interest payable only in the event of available profit on the part of Dexia Holdings Inc. Bullet repayment of the loan is scheduled for June 15, 2016. The annual interest rate has been fixed at USD Libor + 2.5% calculated on the basis of 360 days. In the event of payment default, additional interest of 2% would be applied to the unpaid amount.
The agreement was authorized by your Board of Directors on May 12, 2011.
In 2013, DCL received USD 4.6 million of interest in respect of the facility, USD 316 million of which was drawn down by Dexia Holdings Inc. at December 31, 2013.

Loan agreement between dexia crédit Local and dexia SA and comfort letter provided by

For the purpose of the financing of the losses associated with the sale of assets held in the company's Financial Products portfolio, your Board of Directors was asked to authorize the loan of EUR 5.75 billion by Dexia Crédit Local to Dexia SA, subject to provision by Dexia SA of an undertaking to provide Dexia Crédit Local with financial support.
The agreement was authorized by your Board of Directors on August 4, 2011.
As at 31 December 2013, Dexia Crédit Local loaned an amount of EUR 415 million and borrowed EUR 69 million from Dexia SA.
In 2013, DCL recognized EUR 3.4 million of interest income and EUR 6 million of interest expense in respect of those loans.

Memorandum of negotiation signed by Caisse de Dépôts et Consignations, La Banque Postale, Dexia SA and DCL

On October 20, 2011 your Board of Directors authorized a protocol covering the principles governing restructuring of the Group. Its main elements are as follows:
- Structure of the transaction envisaged:
  – Change of shareholding for Dexia Municipal Agency ("DMA");
  – Creation of a commercial joint venture between Caisse des Dépôts et Consignations ("CDC") and La Banque Postale ("LPB") intended to obtain loans taken out by local authorities;
- Price;
- Guarantees provided by DCL;
- Mechanisms enabling reduction of Dexia's liquidity requirements;
- Conditions precedent;
- Principles governing the period of transition;
- No-compete undertaking.

The agreement ended with the effective sale of DMA (newly Caisse Française de financement local "CAFFIL") on January 31, 2013 and Société de Financement Local ("SFIL") on January 28, 2013.

Agreements and commitments approved during the year just ended

We have also been informed of the execution, in the year just ended, of the following agreements already approved by the Shareholders' Meeting of May 7, 2013 following the Statutory Auditors' special report of April 2, 2013.

Agreement allowing DCL to use subsidiaries' receivables as collateral

In order to reduce DCL's financing needs, it was decided to mobilize the assets of DCL and its subsidiaries that are not currently utilized in secured funding arrangements as collat-

Managment report
Corporate governance and internal control
Consolidated financial statements
Financial statements
Shareholders' meeting
General information

eral for financing or issues guaranteed by the States. Such mobilization was performed at market rates throughout 2013. At December 31, 2013 the applicable assets, amounting to EUR 9.5 billion, comprised:

– EUR 6.7 billion of receivables held by DCL;

– EUR 2.3 billion of receivables held by Dexia Sabadell;

– EUR 584 million of receivables held by DCL's leasing subsidiaries.

The transactions were authorized by your Board of Directors on February 23, 2012 but did not result in the signing of formal agreements.

Addendum ending the guarantee provided by Dexia SA with regard to the Greek bonds held by DCL

The agreement was signed on February 20, 2013. It ended, with effect from December 27, 2012, the guarantee provided by Dexia SA with regard to the Greek bonds held by DCL.

The agreement was authorized by your Board of Directors on December 19, 2012.

State Guarantee Agreement

On 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 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 is calculated on the basis of an annual rate of 0.05% compared with 0.90% previously under the temporary guarantee.

In 2013, the cost of the guarantee for DCL amounted to EUR 154 million.

The agreement was authorized by your Board of Directors on December 19, 2012.

Amendment of the tax group agreement between Dexia Établissement Stable Paris and DCL

The amendment stems from the new French tax provisions relating in particular to the mechanism for losses carried forward and the treatment of debt cancellations.

It was authorized by your Board of Directors on August 2, 2012 and signed on September 14, 2012.

Provision of collateral in connection with the sale of Denizbank by Dexia SA

In connection with the sale of Denizbank finalized on September 28, 2012, on the same date DCL granted Sberbank certain collateral in order to guarantee the proper performance by the sellers (namely Dexia SA and Dexia Participations Belgique SA) of certain payment obligations stemming from the Sale and Purchase Agreement. This collateral represents a total amount of EUR 470 million.

In the event that the guarantee is activated, the maximum amount likely to be called is 15% of the sale price, corresponding to the principal and accrued interest on subordinated borrowings.

The agreement was authorized by your Board of Directors on September 24, 2012.

As the guarantee has not been exercised, this agreement had no impact in 2013.

Addendum terminating the agreement on commitments given by Dexia SA in respect of its subsidiary Dexia Holdings Inc.

The addendum, signed on February 20, 2013, terminated on December 27, 2012 the commitment given by Dexia SA in respect of its subsidiary Dexia Holdings Inc. The commitment related to Dexia SA's approval to grant DCL a put option on Dexia Holdings Inc. securities.

The agreement was authorized by your Board of Directors on December 19, 2012.

Agreement covering the purchase of Dexia BIL's portfolio by DCL

This agreement provided for the purchase of the "legacy" portfolio of Dexia BIL in connection with the planned sale of Dexia BIL by Dexia SA.

In 2012, DCL acquired a EUR 7.7 billion portfolio at a discount of EUR 1.2 billion.

In 2013, DCL Dublin acquired from BIL the loan Electricity Authority of Cyprus for its par value of EUR 2.4 million.

Agreement in principle signed by the French State, CDC, LBP, Dexia SA and DCL

This agreement in principle relates to the extension of the negotiation protocol authorised by the Board of Directors on 20 October 2011 and the agreement in principle presented at the Board of Directors meeting of 13 February 2012.

This agreement formed an integral part of the dossier compiled for inclusion in the States' notification of the Dexia restructuring plan to the European Commission.

The agreement was authorized by your Board of Directors on March 15, 2012, was signed on March 16, 2012 and ended with the effective sale of DMA and SFIL in January 2013.

Contract for the sale of DMA shares

The contract for the sale by DCL to SFIL of shares in DMA (100% of the shares held by DCL) was signed on January 31, 2013.

The sale price for DMA was set at EUR 1. The value of the equity investment in DMA (100%) was revised to 0 in DCL's annual financial statements for the year ended December 31, 2012. DMA's 2012 result was acquired by the transferee.

The agreement was authorized by your Board of Directors on January 15, 2013.

In 2013, DCL recognized EUR 216 thousand of expense connected to the sale.

Contract for the sale of SFIL shares

The agreement for the sale of SFIL shares by DCL to the French State, CDC and LBP was signed on 23 January 2013 in the presence of DMA and SFIL, for the purpose of enabling the parties to take advantage of Articles 8 "Indemnification" and 9 "Other commitments of the parties" of said agreement.

The agreement was authorized by your Board of Directors on January 15, 2013.

DCL sold its shares for EUR 1 on January 28, 2013.

Agreement terminating the agreements entered into by DCL and DMA

On January 31, 2013 DMA and DCL signed an agreement whereby they agreed to terminate the following agreements:

– The management agreement signed on September 30, 1999 between DMA and DCL, (note that disputes were covered by an ad hoc agreement);

– The current account agreement, together with the eleven binding and irrevocable financing agreements entered into by DCL (lender) and DMA (borrower) on January 12, February 13, March 9, April 4, May 25, June 1, July 24, August 30, October 1, November 2 and December 6, 2012, and the loan agreement between DCL and DMA;
– The declaration of financial support issued by DCL on September 16, 1999 in favor of DMA.

No indemnity shall be due from either side in respect of the termination of these agreements.
The agreement was authorized by your Board of Directors on January 15, 2013 and had no impact in 2013.

Agreement for the management of disputes relating to disputed loans

On January 31, 2013, DMA, DCL and SFIL signed an agreement for the management of disputes relating to disputed loans. The purpose of the agreement was to establish 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 shares in SFIL and until maturity of all such loans.
The agreement was authorized by your Board of Directors on January 15, 2013 and had no impact in 2013.

Agreement for withdrawal of DMA from the Irish tax group formed with DCL

On January 31, 2013 DCL signed an agreement with DMA for withdrawal from DMA's Irish tax agreement. The agreement sets out the financial terms involved.
The agreement was authorized by your Board of Directors on January 15, 2013.
DCL Dublin recognized EUR 3.3 million of income in respect of the tax paid by DMA Dublin.

Delegation Act

On January 31, 2013 DCL signed with DMA, SFIL and CDC an act stipulating the delegated powers put in place in order to terminate the transactions relating to:
- The sale of SFIL shares;
- Loans granted by CDC to SFIL for DMA's operational needs;
- The credit agreement put in place between DMA and SFIL on January 31, 2013;
- Repayment to CDC of a certificate of deposit issued by DCL in connection with the pre-financing of the acquisition of SFIL.

The agreement was authorized by your Board of Directors on January 15, 2013.

Courbevoie and Neuilly-sur-Seine, April 11, 2013
French original signed by the Statutory Auditors

DELOITTE & ASSOCIÉS		MAZARS	
Pascal COLIN	Charlotte VANDEPUTTE	Franck BOYER	Virginie CHAUVIN

Proposed resolutions for the shareholders' meeting on 13 May 2014

First resolution: approval of the annual 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 annual financial statements at 31 December 2013 as presented, as well as all the transactions set out in these financial statements or mentioned in these reports, showing a net loss of EUR 25,026,742.99.

The ordinary shareholders' meeting approves all expenses and charges not deductible for tax purposes (Article 39.4 of the French General Tax Code), totalling EUR 45,018.70 which did not generate any additional corporate income tax owing to the loss recorded by the Company in 2013.

Second resolution: 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 at 31 December 2013 as presented, as well as all the transactions set out in these financial statements or mentioned in the reports, showing a net loss (Group share) of EUR 904,073,679.

Third resolution: approval of any regulated agreements and commitments

The ordinary shareholders' meeting, having heard the statutory auditors' special report on regulated agreements and commitments governed by Article L.225-38 of the French Commercial Code, approves, in accordance with Article L.225-40 of the Commercial Code, all regulated agreements and commitments mentioned therein.

Fourth resolution: discharge of directors and officers

By virtue of the adoption of the preceding resolutions, the ordinary shareholders' meeting gives full and unconditional discharge to the directors and officers of the Company for the performance of their duties during the fiscal year ended 31 December 2013.

Fifth resolution: discharge of the Chief Executive Officer and Executive Vice-Presidents

By virtue of the adoption of the preceding resolutions, the ordinary shareholders' meeting gives full and unconditional discharge to the Chief Executive Officer and Executive Vice-Presidents for the performance of their duties during the fiscal year ended 31 December 2013.

Sixth resolution: appropriation of loss

The ordinary shareholders' meeting resolves to allocate the EUR -25,026,742.99 net loss for the fiscal year in full to retained earnings.

Following this allocation, the retained earnings account will have a negative balance of EUR -1,193,118,355.27.

In accordance with Article 243 ii of the French General Tax Code, the shareholders' meeting recalls that no dividends have been paid in respect of the previous three fiscal years.

Seventh resolution: certification of the financial statements

In accordance with Article L.822-14 of the French Commercial Code, the ordinary shareholders' meeting acknowledges that the annual financial statements and the consolidated financial statements for the fiscal year ended 31 December 2013 are certified by the statutory auditors:

Hervé Helias and Virginie Chauvin, partners, representing the firm Mazars, and

José-Luis Garcia and Charlotte Vandeputte, partners, representing the firm Deloitte & Associés.

Eighth resolution: opinion concerning the compensation awarded to Karel De Boeck

The ordinary shareholders' meeting, consulted in accordance with the AFEP-MEDEF corporate governance code, approves the items of compensation payable or awarded to Karel De Boeck for his positions as a director and Chief Executive Officer, as indicated in the annual report equivalent to the reference document (Section 2.1 Compensation for the Chief Executive Officer and Executive Vice-Presidents), presented by the Board of Directors for the fiscal year ended 31 December 2013.

Ninth resolution: opinion concerning the compensation awarded to Alain Clot

The ordinary shareholders' meeting, consulted in accordance with the AFEP-MEDEF corporate governance code, approves the items of compensation payable or awarded to Alain Clot for his positions as a director and Executive Vice-President, until 31 December 2013, as indicated in the annual report equivalent to the reference document (Section 2.1 Compensation for the Chief Executive Officer and Executive Vice-Presidents), presented by the Board of Directors for the fiscal year ended 31 December 2013.

Tenth resolution: opinion concerning the compensation awarded to Claude Piret

The ordinary shareholders' meeting, consulted in accordance with the AFEP-MEDEF corporate governance code, approves the items of compensation payable or awarded to Claude Piret for his positions as a director and Executive Vice-President, as indicated in the annual report equivalent to the reference document (Section 2.1 Compensation for the Chief Executive Officer and Executive Vice-Presidents), presented by the Board of Directors for the fiscal year ended 31 December 2013.

Eleventh resolution: opinion concerning the compensation awarded to Philippe Rucheton

The ordinary shareholders' meeting, consulted in accordance with the AFEP-MEDEF corporate governance code, approves the items of compensation payable or awarded to Philippe Rucheton for his positions as a director and Executive Vice-President, until 31 December 2013, as indicated in the annual report equivalent to the reference document (Section 2.1 Compensation for the Chief Executive Officer and Executive Vice-Presidents), presented by the Board of Directors for the fiscal year ended 31 December 2013.

Twelfth resolution: ratification of the decision to co-opt a director

The ordinary shareholders' meeting ratifies the decision taken by the Board of Directors on 6 August 2013 to co-opt Patrick Bernasconi as a director in his own name, replacing Fédération Nationale des Travaux Publics, for the latter's remaining term of office, i.e. through to the general meeting convened to approve the financial statements for the year ending 31 December 2014.

Thirteenth resolution: ratification of the decision to co-opt a director

The ordinary shareholders' meeting ratifies the decision taken by the Board of Directors on 6 August 2013 to co-opt Marleen Willekens as a director, replacing Jean-Pierre Brunel, for the latter's remaining term of office, i.e. through to the general meeting convened to approve the financial statements for the year ending 31 December 2014.

Fourteenth resolution: ratification of the decision to co-opt a director

The ordinary shareholders' meeting ratifies the decision taken by the Board of Directors on 13 December 2013 to co-opt Pierre Vergnes as a director, replacing Philippe Rucheton, for the latter's remaining term of office, i.e. through to the general meeting convened to approve the financial statements for the year ending 31 December 2014.

Fifteenth resolution: reappointment of the statutory auditors

With the offices of the principal and substitute statutory auditors due to end following this general meeting, the shareholders' meeting decides to:
– Reappoint Mazars & Guérard as the principal statutory auditor for a six-year period ending following the general meeting convened to approve the financial statements for the year ending 31 December 2019;
– Reappoint Deloitte & Associés as the principal statutory auditor for a six-year period ending following the general meeting convened to approve the financial statements for the year ending 31 December;
– Reappoint Mr Charles de Boisriou and BEAS as the substitute statutory auditors.
The statutory auditors have informed the Company in advance that they would be willing to be reappointed.

Sixteenth resolution: the overall compensation

Pursuant to Article L.511-73 of the Monetary and Financial Code, the ordinary shareholder's meeting gives a favorable opinion with respect to the overall amount of compensation paid to the persons mentioned in article L 511-71 of the Code during the year ended on December 31, 2013 and which amounts to EUR 6,815,083 (fixed salary and bonuses). This covers the remunerations paid in 2013 to the Management of the company as well as other employees of the company and its (international) subsidiaries who, in accordance with the remuneration policy applicable to the entire Dexia Group, have a significant impact on the risk profile of the Group due to their function and / or the level of their remuneration.
This envelope includes the compensation of the Chief Executive Officer and Deputy Officers, which is granted exclusively by Dexia SA in respect of their mandate in the parent company.

Seventeenth resolution: powers

The shareholders' meeting gives full powers to the bearer of the original, a copy or an excerpt of these minutes to carry out all legal filing and publication formalities.

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 SA Group. Under this plan, several of Dexia Crédit Local's operational subsidiaries, such as SFIL, Sofaxis and Domiserve, were sold in 2013.
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 Dexia La Défense 2 - 1, Passerelle des Reflets, 92913 La Défense, France (tel: +33 1 58 58 77 77).
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 Commercial 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 shareholders' 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 authorised 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 abovementioned 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 meeting 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 consultation 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 Responsibility for information	All documents and information concerning the Company may be consulted at its registered office. Please address any requests to: Johan Bohets, Secretary General (+33 1 58 58 58 70) Pierre Vergnes, Executive Vice-President (+33 1 58 58 58 60).

2. Outlook[1]

Recent events	Despite the significant progress made by the Dexia Group since the end of 2008 with a view to reducing the severe financial imbalances which had weakened it at the time, 2011 represented a very difficult turning point for the Group due to a further deterioration in the markets. The acceleration of the sovereign debt crisis in the eurozone had called into question the underlying assumptions and the effective completion of the initial transformation plan mapped out in 2008. To take this deteriorated environment into consideration, in October 2011 the Dexia Group announced and implemented an orderly resolution plan for its activities in order to avoid a rapid deterioration in its liquidity position and the materialisation of a systemic risk for the Belgian and French States, as well as the entire European banking sector. This orderly resolution plan, under which the Group's assets are to be managed on a run-off basis, is based essentially on two aspects: the disposal of Dexia's main operating entities and the provision of a funding guarantee by the Belgian, French and Luxembourg States. 2012 was primarily marked by the implementation of the various sections of this plan and its consequences in terms of the change of scope, purpose and governance for the Dexia Group. The Dexia Group's revised resolution plan was approved by the European Commission on 28 December 2012. This marked a decisive step forward for the implementation of this plan, with this validation paving the way for the EUR 5.5 billion capital increase by Dexia SA and the scheme set up for a tripartite liquidity guarantee by the Belgian, French and Luxembourg States. This plan was approved by the European Commission on 28 December 2012 , allowing a capital increase of EUR 5.5 billion of Dexia SA and the establishment of a tripartite liquidity guarantee scheme granted by the Belgian, French and Luxembourg States. In line with its commitments, the Group initiated at the end of 2011 the sale of its core commercial franchises. Over the years 2011 and 2012, Dexia sold Dexia Bank Belgium, Dexia Banque Internationale à Luxembourg, DenizBank and RBC Dexia Investor Services. Over the year 2013 this disposal process was continued, in particular with the sale of the Sociéte de Financement Local (SFIL) to the French State, the Caisse des Dépôts and La Banque Postale in January 2013. At the beginning of 2014 Dexia announced the sale of Dexia Asset Management and its Popular Banca Privada participation, as such finalizing the disposal plan provided for under its orderly resolution plan. Meanwhile, on 24 January 2013, the Belgian, French and Luxembourg States granted a liquidity guarantee of EUR 85 billion to Dexia Crédit Local, allowing the Group to refinance itself on the capital markets and to reduce its financing costs over the year. Finally, the group initiated in 2013 a business plan to adapt its operational structure and organization to its new mission of managing its remaining assets in run-off. The implementation of this Company Project, implemented the coming years, will result in efficiency gains, greater flexibility and allow a resilient structure.
Trends	Subject to the risks and contingencies identified in the present Reference Document, the Dexia Group and Dexia Crédit Local in particular will be moving forward with the implementation of the principles set out in the Group's revised orderly resolution plan, as approved by the European Commission on 28 December 2012. Dexia Crédit Local no longer has any commercial activities in it previous markets, including the public sector financing. After having sold the main part of its commercial franchises, the Group will focus now on the run-off management of outstanding loans, using the guarantee mechanism from the abovementioned States, and the desensitising of sensitive structured loans.
Control	To the best of the Company's knowledge, no agreement exists – including under the terms of the restructuring plan in effect – whose implementation could, at a later date, bring about a change in its control.
Legal and arbitration proceedings	Readers are invited to refer to the text presented on pages 39 to 42 of this 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 macroeconomic 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.

Statutory auditors

The principal and substitute Statutory Auditors for Dexia Crédit Local's financial statements for the year ended 31 December 2013 are as follows:

Principal	Substitute
• **Mazars** (appointment renewed by the shareholders' meeting of 16 May 2008, for a six-year term) Represented by Franck Boyer and Virginie Chauvin, Partners Exaltis – 61, rue Henri Regnault – 92075 La Défense Cedex – France	• **Charles de Boisriou** (appointed by the shareholders' meeting of 16 May 2008, for a six-year term) Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex - France
• **Deloitte et Associés** (appointed by the shareholders' meeting of 16 May 2008, for a six-year term) Represented by Pascal Colin and Charlotte Vandeputte, Partners. 185, avenue Charles-de-Gaulle – 92524 Neuilly-sur-Seine Cedex - France	• **BEAS** (appointed by the shareholders' meeting of 16 May 2008, for a six-year term) Represented by Mireille Berthelot, Partner. 7-9, villa Houssay – 92524 Neuilly-sur-Seine Cedex - France

	31/12/12				**31/12/13**			
EUR thousands	**Mazars**	**%**	**Deloitte**	**%**	**Mazars**	**%**	**Deloitte**	**%**
Audit services								
• Statutory audit, certification, examination of parent company and consolidated financial statements	2 299	99,09 %	2 340	98,40 %	2329	100,00 %	1988	98,17 %
• Other assignments	21	0,91 %	38	1,60 %	0	0,00 %	38	1,88 %
Sub-total	**2320**	**100,00 %**	**2 378**	**100,00 %**	**2 329**	**100,00 %**	**2 025**	**100,00 %**
Other services								
• Legal, tax, human resources advisory services	0	0,00 %	0	0,00 %	0	0,00 %	0	0,00 %
• Internal audit	0	0,00 %	0	0,00 %	0	0,00 %	0	0,00 %
• Other (disclosure required when > 10% of audit fees)	0	0,00 %	0	0,00 %	0	0,00 %	0	0,00 %
Sub-total	0	0,00 %	0	0,00 %	0	0,00 %	0	0,00 %
TOTAL	**2320**	**100,00 %**	**2 378**	**100,00 %**	**2 329**	**100,00 %**	**2 025**	**100,00 %**

Declaration of the person responsible for the registration document *(document de référence)*

The person responsible for the Dexia Crédit Local registration document *(document de référence)* is:

Karel De Boeck, Chief Executive Officer of Dexia Crédit Local.

Declaration of the person responsible for the registration document *(document de référence)*

I the undersigned, Karel De Boeck, Chief Executive Officer of Dexia Crédit Local,

Hereby declare, after having taken all reasonable measures to this end, that, to the best of my knowledge, the information contained in this registration document is accurate and contains no omission that would alter its meaning.

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 document 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 uncertainties to which they are exposed.

I have obtained an audit opinion from the Statutory Auditors in which they state that they have verified the information concerning the financial position and the accounts provided in this document and have reviewed the entire document.

The historical financial data presented in this document have been discussed in reports by the Statutory Auditors on pages 169 and 208 of this registration document, as well as those included by reference for fiscal years 2011 and 2012, respectively on pages 185 and 226 of the 2011 registration document and pages 190 and 230 of the 2012 registration document.

The Statutory Auditors' reports on the parent company and consolidated financial statements for 2011 and 2012 contain some remarks.

For fiscal year 2013, note 1.2 to the annual financial statements and note 1§1.1.1.1. to the consolidated financial statements specify that the annual and consolidated financial statements of Dexia Crédit Local have been prepared in accordance with the rules applicable to going concerns.

Note 1 to the consolidated financial statements (in particular § 1.1.6. and 1.1.7.) specifies the details of implementation of the IFRS 13 accounting standard relating to fair value valuation.

Note 1 (§ 1.1.21) of the consolidated financial statements details the application of the revised IFRS 19 accounting standard relating to employee benefits.

La Défense, 28 April 2014

Karel De Boeck
Chief Executive Officer

Cross-reference table

Headings in the schedule in note XI of article 14 of Commission regulation (EC) n° 809/2004

		Pages
1.	Responsibility	
1.1	Identification of the persons responsible	226
1.2	Declaration of the persons responsible	226
2.	Statutory Auditors	
2.1	Identification of the Statutory Auditors	225
2.2	Statutory Auditors during the period covered by the historical financial data	225
3.	Risk factors	11 to 14 / 25 to 42 / 75 to 79 / 155 to 167
4.	Information concerning the issuer	
4.1	Background of the company	
4.1.1	Corporate name and trade name	222
4.1.2	Place of incorporation and registration number	222
4.1.3	Date of incorporation and term	222
4.1.4	Registered office, legal form, applicable legislation, country of origin, address, telephone number of registered office	222
4.1.5	Recent events affecting the issuer and which could have a material impact on the evaluation of its solvency	224
5.	Business review	
5.1	Main activities	
5.1.1	Main categories of services provided	6 / 15 to 21
5.1.2	New products and activities	NA
5.1.3	Main markets	6
5.1.4	Illustration of the stated competitive positioning	NA
6.	Organisational chart	
6.1	Description of the Group and issuer's position therein	6 / 8 / 222
6.2	Shareholding relationship with other Group entities	8 / 22
7.	Trend data	
7.1	Details of the significant deterioration affecting the outlook since the date of the last financial statements	6 / 9 to 10 / 11 to 14 / 108 to 109 / 177 to 178
7.2	Item(s) reasonably likely to have a material impact on the outlook of the issuer, at least for the current year	6 / 9 to 10 / 11 to 14 / 108 to 109 / 177 to 178 / 224
8.	Forecasts or estimates of net income (loss)	NA
9.	Corporate governance	
9.1	Name, address and function within the issuing company of the members of corporate governance bodies, and activities performed outside the company	56 to 58
9.2	Declaration of absence of conflicts of interest for the members of the Board of Directors	61
10.	Primary shareholders	
10.1	Identity of the primary direct and indirect shareholders – type of control – steps taken to ensure that control is not exercised in an abusive manner	8 / 22 NA
10.2	Known agreements that could lead to a change of control	
11.	Financial information regarding the assets, financial position and results	
11.1	Historical financial data	2011* and 2012** registration documents

		Pages
11.2	Financial reports	
	Consolidated financial statements	15 to 19 / 83 to 168
	Annual financial statements	20 to 21 / 173 / 207
11.3	Audit of the annual historical financial data	
11.3.1	Statutory Auditors' report on the consolidated financial statements Statutory Auditors' report on the annual financial statements	169 208
11.3.2	Other information in the registration document verified by the Statutory Auditors	4 to 58 / 62 to 80 / 216 to 218
11.3.3	Financial data in the registration document not taken from the audited financial statements	NA
11.4	Date of the most recent financial information	
11.4.1	Last fiscal year for which the financial data were audited	2013
11.5	Interim financial data	
11.5.1	Quarterly and six-month data Audit of interim financial data	NA NA
11.6	Legal and arbitration proceedings	39 to 42 / 224
11.7	Material changes in financial position	9 to 10 / 11 to 14 / 224
12.	Major contracts	224
13.	Information from third parties, declarations of specialists and declarations of interests	NA
14.	Documents available to the public	
	Place where documents may be consulted during the period of validity of the registration documents	223

**In accordance with Article 28 of Commission Regulation (EC) no. 809-2004, for reference purposes we have included the financial data for the year ended 31 December 2011 and the Statutory Auditors' reports on the consolidated and annual financial statements for that period, presented respectively on pages 185 and 226 of the registration document (filed on 5 April 2012 with the French Financial Markets Authority under D. 12-0287).*

***In accordance with Article 28 of Commission Regulation (EC) no. 809-2004, for reference purposes we have included the financial data for the year ended 31 December 2012, and the Statutory Auditors' reports on the consolidated and annual financial statements for that period, presented respectively on pages 190 and 230 of the 2012 registration document (filed on 3 April 2013 with the French Financial Markets Authority under D.13-0275).*

Dexia Crédit Local
1, passerelle des Reflets
Tour Dexia - La Défense 2
92913 La Défense Cedex, France
Tel: +33 1 58 58 77 77
Fax: +33 1 58 58 70 00
www.dexia-creditlocal.fr

French public limited company (société anonyme) with capital of EUR 1,286,032,212
Nanterre trade register 351 804 042
VAT: FR 49 351 804 042

DEXIA
CREDIT
LOCAL
DCL