2014

Annual report

DEXIA CRÉDIT LOCAL

DEXIA
CRÉDIT
LOCAL
DCL

Registration document 2014

Management report

Message from the chairmen

Dear Shareholders,

2014 was characterised by a still fragile economic environment and significant regulatory changes aimed at establishing a Banking Union in Europe.

Dexia's and Dexia Crédit Local's orderly resolution plan, set in December 2012, and approved by the European Commission, established a constraining framework for the Group's operation and impeded its capacity to gener-ate results, in view of the cessation of any new business activity. 2014 therefore presented major challenges for Dexia Crédit Local.

Historically low interest rates in 2014 and during the start of 2015, resulted in an increase of Dexia Crédit Local's balance sheet and its funding requirements despite the natural amortisation of its assets and disposals. In particular, the net cash collateral posted by Dexia Crédit Local to secure its obligations under interest rates or currency swaps increased by EUR 9.8 billion to EUR 31 billion at the end of 2014. This situation necessitated greater use of the State funding guarantee than initially anticipated.

Dexia Crédit Local is also sensitive to the evolution of the banking regulatory framework. In this regard, the first application of the new Basel III standards resulted in a decrease of regulatory capital by EUR 0.8 billion and an increase in weighted risks by about EUR 7 billion, which weighed on solvency ratios, at the level of Dexia Crédit Local and each of its subsidiaries. These ratios nonetheless remain higher than those required by the regulators.

Regulatory activity over the year was also affected by the implementation, on 4 November 2014, of the Single Supervisory Mechanism by the European Central Bank, which was preceded by a comprehensive assessment of the 130 banks under its direct supervision. Dexia was the only bank in resolution subject to this assessment, which required heightened dedication by our teams.

Despite the aforementioned, 2014 was still a year of significant achievements by Dexia, enabling it to pass cer-tain key milestones in its resolution. The conclusions of the assessment made by the European Central Bank validated the assumption laid out in the orderly resolution plan and demonstrated the Dexia Group's strong resilience in the event of a severe deterioration of its environment. This exercise also confirmed the quality of Dexia's asset portfolios and risk management models and validated the account taken of its special status as an entity in resolution by the European Central Bank.

The split of IT systems between Dexia Crédit Local and Société de Financement Local (SFIL) was completed, breaking the last operational links between both entities.

Dexia Crédit Local also implemented a very cautious management strategy enabling it to handle significant funding redemptions whilst managing the increase in its liquidity requirements. At the end of 2014 and the beginning of 2015, Dexia Crédit Local repaid the remaining debt issued under the 2008 guarantee framework as well as outstanding guaranteed bonds subscribed by Belfius, which reduced its financial charges. On 27 February 2015, Dexia Crédit Local repaid EUR 13 billion in bank bonds guaranteed by the States and used within the framework of the so-called "own use" mechanism. These measures constituted vital milestones in the implementation of the orderly resolution, particularly the gradual exit from the exceptional funding mechanism granted by the European Central Bank and the reduction of recourse to the Eurosystem in the funding structure of the Dexia Group, and put an end to Belfius' exposure on the Dexia Group. At the same time, the funding guar-antee granted by the states of Belgium, France and Luxembourg in 2013 continues to benefit from favourable reception by investors which, beyond the intrinsic quality of the guarantee, illustrates a sound understanding of the Dexia Group's status. Along with the evolution of the funding structure, the cost of funding of Dexia Crédit Local was significantly reduced and was covered by the income from commercial portfolios. Conse-quently, the recurring net banking income was positive in 2014.

Lastly, in its simplified and integrated governance, and in accordance with its run-off mandate, Dexia Crédit Local continued in 2014 to adapt its operational structure. The IT systems were the object of an in-depth study leading to the definition of a global plan to centralise the different IT systems with a view to increasing the con-sistency and the quality of the information used by the various entities and generating economies of scale.

In 2015, Dexia Crédit Local will continue its efforts to streamline and simplify its operational framework with a special focus on educational training for its employees. Centralisation of activities will also become a principal objective of the resolution project, while maintaining active monitoring and management of the asset portfolios.

The Dexia Group's resolution will take time. The run-off path is the least expensive option for State sharehold-ers and guarantors and is also the least risky for the banking sector and the European economies given the nega-tive impact that could arise from a rapid liquidation. From this perspective, the progress made during the year has been significant. The Dexia Group relies on the support of the guarantors, the shareholders and close col-laboration with the various stakeholders in Dexia's resolution. We would like to express our gratitude to them. We also thank our staff members for their continued commitment, particularly for the dedication to key projects for the Dexia Group, as regulatory agenda was and will remain particularly demanding.

Robert de Metz
Chairman of the Board of Directors

Karel De Boeck
Chief Executive Officer

Dexia Crédit Local Group profile

Headquartered in France, where it maintains a banking license, Dexia Crédit Local[1] is the main operating entity of the Dexia Group, carrying the majority of its assets. Dexia Crédit Local also still has an international presence through its branches in Ireland and the United States and its subsidiaries in Germany, Spain, Italy, the United Kingdom and Israel. Dexia Sabadell, the subsidiary of Dexia Crédit Local in Spain, also has a branch in Portugal.

As at 31 December 2014, Dexia Crédit Local had 1,182 members of staff.

The Group's parent company, Dexia is a public limited company (société anonyme) and financial holding under Belgian law whose shares are listed on Euronext Brussels and Paris as well as the Luxembourg Stock Exchange. Since end 2012 Dexia has been owned for 94.4% by the Belgian and French States following their EUR 5.5 billion capital injection. As a significant bank[2], Dexia has been under the direct prudential supervision of the European Central Bank within the framework of the Single Supervisory Mechanism (SSM) since 4 November 2014, as is Dexia Crédit Local Group and the French outer scope.

Following the convergence of the scope of both entities, the governance of both Dexia and Dexia Crédit Local has been streamlined and unified in 2013, with the members of Dexia's Management Board and Board of Directors also being members of Dexia Crédit Local's Management Board and Board of Directors.

Dexia and Dexia Crédit Local are managed in orderly resolution since end 2011. Approved by the European Commission in December 2012, Dexia's orderly resolution plan aims to avoid its bankruptcy and liquidation which, given the Group's residual size, could be destabilising to the entire European banking sector. As a result of the resolution, Dexia Crédit Local no longer has any new commercial activities and its residual assets are being managed in run-off. Dexia Crédit Local's financial structure stands out from other banks in resolution due to its sizable asset portfolio and long-dated maturity profile. The financial structure also includes significant off-balance-sheet derivatives hedging the asset portfolio against fluctuations in interest and exchange rates.

(1) Throughout this annual report, Dexia Crédit Local refers to Dexia Crédit Local S.A.and Dexia refers to Dexia SA/NV.
(2) Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014.

As at 31 December 2014, Dexia Crédit Local's balance sheet totalled EUR 246 billion and its off-balance-sheet commitments stood at EUR 413 billion. The asset portfolio consisted of 86% investment grade assets and reflects Dexia Crédit Local's former status as a leader in public and project finance, with a primary focus on local public entities in Europe and the United States, and to a lesser extent, European sovereigns and project finance. Booked primarily between 2006 and 2008 it carries relatively low credit spreads. Since the portfolio is hedged against rate movements, the sale of assets may require the unwinding of the hedges which could prove to be expensive.

Accordingly, Dexia and Dexia Crédit Local's resolution will need to be managed over the long term in order to protect Dexia's capital base. It will rely on an opportunistic asset sale strategy, aimed at reducing concentration risk of credit exposures. As such, the orderly resolution plan provides for the gradual reduction of assets to around EUR 91 billion by 2020 and EUR 15 billion by 2038.

In order to enable the Group's orderly resolution, the Belgian, French and Luxembourg States granted a liquidity guarantee for a maximum principal amount of EUR 85 billion to Dexia Crédit Local, which is consequently the issuer of Dexia Group under the State guarantee format.

After completing the sale of all the commercial franchises as required under the orderly resolution plan, Dexia is solely focused on managing its legacy assets while protecting the interests of the Group's State shareholders and guarantors. To meet this objective, Dexia and Dexia Crédit Local have established three main goals which form the core of the Group's "Company Project":

- Maintain the ability to refinance the balance sheet throughout the resolution plan;
- Preserve the capital base in order to comply with regulatory ratios;
- Ensure operational continuity by retaining the necessary expertise and resources and developing appropriate information systems.

SIMPLIFIED STRUCTURE

Belgian Federal State through the Federal Holding and Investment Company **50.02%** → Dexia

French State **44.40%** → Dexia

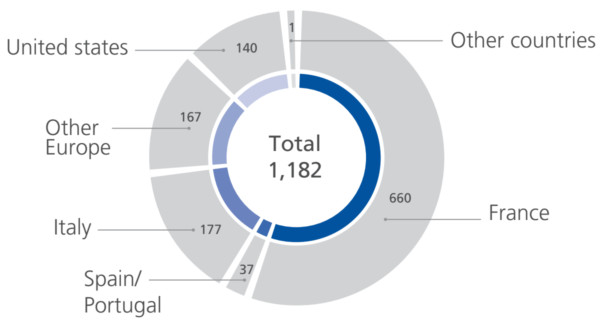
Institutional, individual and employee shareholders **5.58%** → Dexia

Dexia

Dexia Crédit Local **100%**

- Dexia Crediop **70%**
- Dexia Sabadell **100%**
- Dexia Kommunalbank Deutschland **100%**

MEMBERS OF STAFF AS AT 31 DECEMBER 2014



RESULTS (in EUR million)	2012	2013	2014
Net banking income	(752)	(220)	(34)
Costs	(380)	(365)	(369)
Gross operating income	(1,132)	(585)	(403)
Net income Group share	(2,040)	(904)	(478)

BALANCE SHEET (in EUR billion)	31/12/2012	31/12/2013	31/12/2014
Balance sheet total	356	222	246

SOLVENCY	Basel II	Basel III	
(in EUR million)	31/12/2013	01/01/2014*	31/12/2014
Common Equity Tier 1	7,918	7,372	6,786
Total Capital	8,444	7,624	6,960
Weighted risks	44,445	51,379	53,193
Common Equity Tier 1 ratio	17.8 %	14.3%	12.8%
Total Capital ratio	19.0%	14.8%	13.1%

* *Pro forma*

RATINGS AS AT 15 MARCH 2015	Long term	Outlook	Short term
Dexia Crédit Local			
Fitch	A	Negative	F1
Moody's	Baa2	Negative	P-2
Standard & Poor's	BBB	Stable	A-2
Dexia Crédit Local (guaranteed debt)			
Fitch	AA	-	F1+
Moody's	Aa3	Stable	P-1
Standard & Poor's	AA	-	A-1+
Dexia Kommunalbank Deutschland *(Pfandbriefe)*			
Standard & Poor's	A+	Stable	-

Highlights

While the depreciation of the euro and lower energy prices were positive developments, eurozone growth remained largely contained in 2014. In order to curb deflationary pressure, the European Central Bank pursued an accommodating monetary policy, as evidenced by historically low interest rates and quantitative easing measures that have been reinforced in 2015.

2014 was also marked by profound changes in the prudential and regulatory framework applied to credit institutions, highlighted by the implementation of the new Basel III capital rules in January 2014 and the establishment of the Single Supervisory Mechanism in November 2014.

With this backdrop, Dexia Crédit Local continued with the implementation of its orderly resolution, under a simplified govern-ance structure and organisation.

Impact of the macro-economic and credit environment on Dexia Crédit Local's situation in 2014 and recent developments

Evolution of the liquidity situation

Whilst the depreciation of the euro and the decline of oil prices are positive developments for the European economy, GDP growth forecasts for the eurozone continue to be constrained by limited public investment stemming from the deficit reduction policies being pursued by a majority of States. In order to curb deflationary pressure, the European Central Bank continued with its accommodating monetary policy in 2014, as witnessed by the continued decline in interest rates and the announcement on 22 January 2015 of an asset repurchase programme totalling EUR 60 billion per month of public and private debt over a period of at least 19 months.

This context drove interest rates in the eurozone to historical lows and resulted in the depreciation of the euro against main currencies as well as highly volatile foreign exchange markets. In particular, the Swiss franc appreciated by almost 30% against the euro following the announcement, on 15 January 2015, that the Swiss National Bank would abandon the cap for the Swiss franc which had been held for some three years.

These developments caused Dexia Crédit Local's liquidity requirements to increase, mainly due to higher net cash collateral[1] needed to be posted by Dexia Crédit Local to its derivative counterparties. Collateral posting reached a maximum of EUR 36 billion in January 2015, up EUR 15 billion from the end of 2013 and EUR 5 billion from 31 December 2014. However, a sustained funding activity enabled Dexia Crédit Local to manage the increase in its liquidity requirements and the repayment of significant funding lines at the end of 2014 and the beginning of 2015. As at 27 February 2015, Dexia Crédit Local had repaid the remaining portion of outstanding Belfius-owned guaranteed debt, which totaled EUR 12.8 billion. Dexia also had repaid the EUR 13 billion of own-used government-guaranteed bonds pledged to the Eurosystem refinancing operations.

The effects on Dexia Crédit Local's results are therefore mixed. While the fall of the European Central Bank key rate reduces the its cost of funding, the increase in cash collateral requirements raises costs.

Finally, the continued decline in eurozone sovereign funding costs resulted in lower funding costs related to the bonds guaran-teed by the Belgian, French and Luxembourg States and enabled short- and long-term issuance activity to be strong in this market segment.

More detailed information on Dexia Crédit Local's liquidity situation is provided in the chapter "Information on capital and liquidity" of this registration document.

(1) Deposits or financial instruments posted by Dexia and Dexia Crédit Local to their counterparties in order to secure obligations under interest rate or currency swaps.

Developments with regard to credit risk and legal risk associated with structured loans

2014 was marked by a very low cost of risk. Relative to Group total exposure, it amounted to 3.6 basis points on average over the year, confirming the good credit quality of the asset portfolio. 86% of Dexia Crédit Local 's exposure is rated "Investment Grade". In a continuing uncertain economic environment, Dexia Crédit Local maintained its active credit risk management and focused on certain sectors and counterparties.

The disposal of highly impaired exposures lowered the coverage ratio of impaired assets.

a – Credit risk

In 2014, Dexia Crédit Local focused on the financial difficulties related to the City of Detroit, which filed for protection under Chapter 9 of the Bankruptcy Act on 18 July 2013, and the Commonwealth of Puerto Rico. In the context of an active risk man-agement policy, Dexia Crédit Local sold all its direct exposure to the City of Detroit and reduced its exposure to the Commonwealth of Puerto Rico.

Dexia Crédit Local increased its impairments on certain sectors and individual counterparties which were considered to be sensitive. The level of collective provisions on the renewable energy and banking sector were increased, in order to cover the risks associated with potentially unfavourable regulatory developments.

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General information

Following the announcement made on 1 March 2015 by the Austrian Financial Market Authority (FMA-Finanzmarktaufsicht) concerning Heta Asset Resolution AG, previously Hypo Alpe Adria Bank International AG, the entity responsible for managing the legacy assets of Hypo Alpe Adria in run-off, Dexia also confirmed that it is currently analysing the necessary measures needed to respond to the FMA decision and that it will book an impairment on its position in the first quarter of 2015.
Finally, at the beginning of 2015, concerns on Greek sovereign debt revived after the change of political cycle. Dexia Crédit Local no longer has any direct exposure to Greek sovereigns at the end of 2014.

More detailed information on Dexia Crédit Local's exposures is provided in the chapter "Risk management" of this registration document.

b – Legal risk associated with structured loans in France

In order to limit litigation risk, in 2014 Dexia Crédit Local continued to desensitise the outstanding amount of structured loans, in line with the commitments made by the States to the European Commission. At the end of 2014, the sensitive structured loan exposure was reduced by 16% compared to the end of 2013, to EUR 1.2 billion.
The legal framework for structured loans evolved considerably in 2014, following measures implemented by the French government. Such framework is aimed at securing the legal environment for the lending banks while providing assistance mechanisms through the implementation of two support funds, to help local authorities and hospitals facing financial difficulties. On 24 February 2015, the French government announced that the resources of these two mechanisms will be sharply increased in 2015, to enable "contracts to be definitively desensitised and refinanced in order to neutralise their risk". In real terms, the envelope of assistance offered to local authorities, inter-communal groups and HLM (rent-controlled housing) offices for the desensitisation of their sensitive structured loans was increased from EUR 1.5 billion to EUR 3 billion over 15 years, and that available for the same loans to public hospitals was raised from EUR 100 million to EUR 400 million.

More detailed information on Dexia Crédit Local's sensitive structured loans and the evolution of the legal framework in France is provided in the chapter "Risk management" of this registration document.

Evolution of the prudential and regulatory environment

Implementation of Basel III

In 2013, the European Parliament and Council adopted a set of measures to implement the Basel III accord within the EU legal framework. Taking effect on 1 January 2014, with some provisions to be phased-in between 2014 and 2019, the Capital Re-quirement Regulation (CRR) and Capital Requirement Directive IV (CRD IV) form the common regulatory bases for all Member States in implementing Basel III capital requirements. The CRR contains detailed prudential requirements for credit institutions and investment firms while the CRD IV was transposed by Member States within their respective national legal frameworks.

a – Harmonisation of the national discretions with respect to the regulatory solvency ratios

The CRD IV Directive provides for the deductibility of the AFS (Available for Sale) reserve from the regulatory capital, whilst authorising national discretions. The National Bank of Belgium (NBB) and the French "Autorité de Contrôle Prudentiel et de Résolution" (ACPR) have confirmed that the rules applicable to Dexia and to Dexia Crédit Local for the calculation of their regulatory solvency ratios during the transitional period from 1 January 2014 to 31 December 2017 would be identical. The AFS reserve on sovereign securities does not have to be taken into account for the calculation of the solvency ratios and the AFS reserve relating to non-sovereign exposures has to be deducted from the regulatory capital up to an amount of 20% per annum.

b – First-time application of the Basel III solvency rules

With the adoption of Basel III on 1 January 2014, Dexia Crédit Local's regulatory capital decreased by EUR -0.8 billion, mainly due to following factors:

- A 20% deduction of the AFS reserve on non-sovereign securities, with an impact of EUR -429 million;
- A reduction of the recognition of subordinated loans, with an impact of EUR -271 million;
- A deduction of the Debit Valuation Adjustment (DVA), for EUR -82 million.

At the same time, this change in the regulatory framework resulted in an increase in total weighted risks by EUR 7 billion, particularly the Credit Valuation Adjustment (CVA), the Asset Value Correlation (AVC), and a change in methodology of the calculation of the Exposure at Default (EaD).

More detailed information on Dexia Crédit Local's solvency is provided in the chapter "Information on capital and liquidity" of this registration document.

c – Liquidity coverage ratio: State-guaranteed debt is eligible for HQLA level 1 asset

As part of the implementation of the Basel III framework, the European Commission published a supplemental Delegated Act on 10 October 2014 related to the liquidity coverage requirement for credit institutions. This publication specifies the nature of assets which qualify as high quality liquid assets (HQLA), and their classification as level 1 and level 2 assets when determining the Li-quidity Coverage Ratio (LCR). This ratio is planned to come into effect gradually during 2015.
Article 35 of the Delegated Act states that *"Assets issued by credit institutions which benefit from a guarantee from the central government of a Member State shall qualify as level 1 assets only where the guarantee :*
(a) was granted or committed to for a maximum amount prior to 30 June 2014 ;
(b) is a direct, explicit, irrevocable and unconditional guarantee and covers the failure to pay principal and interest when due."
The State-guaranteed debt issued by Dexia Crédit Local meets these conditions and is therefore eligible as a level 1 high quality liquid asset (HQLA) in calculating the LCR.
The HQLA level 1 eligibility of Dexia Crédit Local's State-guaranteed debt is a favourable outcome for the Group funding as it is expected to increase the appetite for Dexia Crédit Local's guaranteed debt of financial institutions required to comply with the LCR.

Establishment of the Single Supervisory Mechanism

a – Comprehensive assessment performed by the European Central Bank

On 26 October 2014, the European Central Bank published the conclusions of its comprehensive assessment of banks under its supervision as from 4 November 2014.

This review has been conducted on a consolidated basis, at the level of the Dexia Group: consequently the results of this assess-ment cannot be directly transposed to Dexia Crédit Local's scope. However, due to the fact that Dexia Crédit Local carries almost all of Dexia's assets, the results of this assessment do have a direct impact on this entity.

Dexia was the only bank in resolution subject to this exercise and the Group performed the entire assessment, namely an asset quality review (AQR) and a stress test performed after join-up of the AQR results, applying both a baseline and an adverse sce-nario. In meeting the requirements of this assessment, the Dexia Group delivered datasets to the European Central Bank and the National Bank of Belgium under the same format as those submitted by the other banks.

The general framework defined by the European Banking Authority (EBA) provided for the stress test to be performed on the basis of a static balance sheet over 3 years (fixed as at 31 December 2013). However, due to Dexia's status as a bank in resolution and in line with the EBA methodology, Dexia assumed a decreasing dynamic balance sheet given the lack of new commercial activity.

In order to compare banks subject to the comprehensive assessment, the retained calculation for the Common Equity Tier 1 (CET 1) ratio did not take into account the applicable regulatory measures allowing Dexia not to deduct the Available for Sale (AFS) reserve related to sovereign securities.

The conclusions of this comprehensive assessment demonstrated the quality of Dexia and Dexia Crédit Local's assets and the robustness of their risk analysis. They also validated the assumptions contained in Dexia's orderly resolution plan approved by the European Commission in December 2012.

Asset quality review (AQR)

As part of the asset quality review, 11 portfolios were analysed, all part of Dexia Crédit Local's consolidated scope and repre-senting more than half of the weighted credit risks as at 31 December 2013. Following this review, the European Central Bank pointed out three topics relating to the valuation of certain illiquid securities, the provision for the Credit Valuation Adjustment (CVA) and the amount recorded as impairment for some assets (cf. section entitled "Initiatives undertaken by Dexia Crédit Local following the outcome of the comprehensive assessment" below).

After integration of these elements, the Common Equity Tier 1 (CET 1) capital of Dexia was EUR 8.5 billion, bringing the CET 1 ratio to 15.80%. The excess capital was EUR 4.2 billion against a threshold ratio of 8%. As explained above, these impacts have not been assessed on Dexia Crédit Local's scope.

Stress-test and join-up exercise

After the join-up exercise, the baseline scenario of the stress test confirmed the assumptions of the Group's orderly resolution plan validated by the European Commission. Under this scenario and using the European Central Bank methodology, the Group's CET 1 ratio projected to 2016 under the European Central Bank methodology was 10.77%, an amount of excess capital of EUR 1.4 billion against a minimum required threshold of 8%.

The assumptions stipulated by the European Central Bank under the adverse scenario are particularly unfavourable to the Dexia Group. Under this scenario, Dexia's CET 1 capital is EUR 3.1 billion, bringing the CET 1 ratio to 4.95% which could cause the Dexia Group to face a capital shortfall of EUR 339 million, compared to the 5.5% hurdle rate.

In particular, the strict treatment applied to sovereign exposures significantly impacted Dexia, as measured by various financial indicators, given the share of sovereign securities in its portfolio:

• The deduction of the AFS reserve linked to sovereign securities is disadvantageous as it does not reflect the actual benefit of measures granted by supervisory authorities authorising the Dexia Group not to deduct the AFS reserve on such securities from its regulatory capital;

• In the context of the adverse scenario, the application of an advanced method to measure credit risk on sovereign securities penalises Dexia considerably more than the standard method, particularly due to its exposure to sovereigns. The advanced method results in an increase of weighted risks, despite the amortisation of the asset portfolios.

The adverse scenario also leads to a substantial increase in the cost of risk, mainly due to the underlying assumptions for sovereign securities as well as the Dexia Group exposure to financial institutions.

Conclusion: Dexia's specific status acknowledged

In its communication of 26 October 2014, the European Central Bank indicated that, taking into account its orderly resolution plan benefiting from a State guarantee, there will be no requirement for Dexia to increase its capital following the comprehensive assessment.

The current regulatory measures granted by supervisory authorities authorising Dexia not to deduct the AFS reserve on sover-eign securities from its regulatory capital have been confirmed, enabling it to remedy the capital shortfall under the adverse scenario of the stress test. As a reminder, these regulatory measures also apply to Dexia Crédit Local.

This decision is in line with Dexia's orderly resolution plan, aimed at managing and funding its asset portfolios to maturity, and thus avoiding the cost of any liquidation. Application of these regulatory measures has a benefit of EUR 1.6 billion on the Dexia Group's CET 1 capital in the adverse scenario of the stress test by 2016, resulting in a CET 1 ratio of 7.49%.

No other remedial action was required by supervisory authorities.

b – Initiatives undertaken by Dexia Crédit Local following the outcome of the comprehensive assessment

Following the asset quality review, three main topics were highlighted by the European Central Bank:

• The European Central Bank pointed out a difference of EUR 79.05 million between the amount recorded by Dexia Crédit Local as impairment for credit risk and the amount resulting from the AQR.

As part of customary credit risk monitoring, positions identified by the European Central Bank were subject to additional impairments when deemed necessary. The residual divergence from the impairment level set by the European Central Bank is not significant.

• The assessment results in a discrepancy in the valuation of certain illiquid securities classified as AFS (level 3), corresponding to an impact of EUR -49.54 million on Dexia Crédit Local's regulatory capital in 2014.

After performing an analysis of the European Central Bank's recommendations, Dexia decided to discontinue the use of its internal model based on credit spread parameters and to switch to a fully market-based approach for bond fair valuation purposes. The use of observable market data led to a reduction of the accounting value of securities, reflected in the Dexia Crédit Local's financial statements by a deterioration of the AFS reserve.

The change in parameters used for the valuation of illiquid securities enabled Dexia to reverse, in agreement with the supervisory authorities, the prudential adjustment that was made to Dexia and Dexia Crédit Local's regulatory capital on 31 March 2014.

In accordance with Dexia Crédit Local's management intentions and the IAS 39 accounting standard provisions, Dexia Crédit Local decided to reclassify the most illiquid bonds from the AFS category to the Loans and Receivables (L&R) as from 1 October 2014. EUR 2.6 billion of securities were reclassified.

- An adjustment in the provision for the Credit Valuation Adjustment (CVA) on derivatives.

Just as for the valuation of illiquid securities, an analysis was performed for the calculation of the CVA, leading to the use of ob-servable market data. The methodology for calculating the Dexia Group CVA is now fully in line with the European Central Bank recommendation.

c – Implementation of the Single Supervisory Mechanism

As a systemically important bank[(1)], Dexia has been subject to the direct supervision of the European Central Bank within the framework of the Single Supervisory Mechanism since 4 November 2014, as is the Dexia Crédit Local Group and the French outer scope.

Continuation of the orderly resolution plan

Reaching of the target scope as set out in the orderly resolution plan

The Dexia Group orderly resolution plan did not require the disposal of Dexia Crediop, but nonetheless authorised its sale. To protect the entity's commercial activities, the European Commission granted Dexia Crediop a production envelope of EUR 200 million, enabling it to grant funding to its existing clients, for a period of one year to run from the date of validation of the resolution plan by the Commission. Since negotiations had been undertaken with a potential purchaser, the Dexia Group received authorisation from the European Commission at the beginning of 2014 to extend the production window by an additional six months to 28 June 2014. In the absence of a firm offer at the end of that period, the European Commission confirmed to the Dexia Group on 15 July 2014 the run-off status of Dexia Crediop.

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

In January 2013, Dexia completed the sale of Société de Financement Local (SFIL). However, the disposal required the separation of the formerly combined entities, including the separation of teams and the duplication of certain applications and functions. Par-ticular attention was paid to critical processes and IT applications. The separation was done gradually after the disposal of SFIL in order to ensure the operational continuity of the two entities, and, completed in 2014, is now in effect.

Further implementation of the Company Project

In May 2013, the Dexia Group launched a "Company Project" aimed at redefining its strategic objectives, its governance and the optimal operational model for the implementation of its resolution plan. While the transformation towards the target state is a multi-year effort, Dexia Crédit Local started implementing concrete initiatives, namely changes in its business model and IT systems.

a – Adapting the business model

In line with its new mission and in order to achieve its strategic objectives, the Dexia Group implemented its new organisational structure and governance. Two support lines, Assets and Transformation, have been created, dedicated, respectively, to the management of the assets and client relationships and to the transformation of the Group's operating model.

The internal organisation of the existing support lines Funding and Markets, Finance and Risk has also been streamlined, resulting in the creation of new teams, the transfer of staff across support lines and changes in functional content.

The Group's governance has been rendered more flexible by instituting a Transaction Committee that brings together the Heads of Assets, Funding and Markets, Finance, Risk and General Secretariat, Legal and Compliance and is authorised to approve Assets and Funding transactions within the delegation given by the Management Board.

In the framework of a global rationalisation process, Dexia also initiated in the third quarter of 2014 the operational integration of Dexia Management Services, a Dexia Crédit Local subsidiary registered with the Financial Conduct Authority (FCA) in the United Kingdom. The integration entails discontinuing the FCA licence and combining support functions and key front office functions with Paris head office. A limited number of front office staff will remain locally to serve clients, working closely with Paris.

b – Overhauling information systems

The Group launched in 2014 several studies in order to ensure adequacy between its information systems and strategic objec-tives during the resolution period. In this context, Dexia Crédit Local invested in a dedicated software-application in order to support the development of its Repo lending platform.

In order to strengthen the quality and consistency of data across the Dexia Group, a single database will be built and gradually replace various local databases.

Financial results

Notes regarding to the 2014 financial statements for Dexia Crédit Local

Going concern

The statutory and consolidated financial statements of Dexia Crédit Local as at 31 December 2014 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed below were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

• The business plan is based on market environment observed at the end of September 2012. The underlying macroeconomic assumptions are revised semi-annually.

In particular, the review of the plan in 2014 incorporates lower interest rates and takes account of an updated funding plan based on current market conditions. The 2014 plan revision incorporates regulatory developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, and the impact of using an OIS curve for OTC derivatives valuation. The revised plan also takes into account Dexia and Dexia Crédit Local's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA). Finally it also reflects, Dexia and Dexia Crédit Local's active balance sheet management, particularly the successful execution of the funding programme in 2014, resulting in a positive evolution of the net interest margin.

Using data as at 30 June 2014, the revised business plan was approved by Dexia's Board of Directors on 9 October 2014. While it contains adjustments to the plan originally validated, the resolution trajectory in the revised plan remains unchanged over the long term.

• The plan assumes maintaining various local banking licences. Dexia Crédit Local ratings are also assumed to remain at current levels.

• It relies, moreover, on a robust funding programme based on Dexia Crédit Local's ability to issue debt guaranteed by Belgium, France and Luxembourg and to raise secured funding.

In this context, Dexia Crédit Local's ability to tap markets at a lower cost and for longer maturities than forecast in the original plan, had a positive effect on the funding mix in 2014. The continued increase in secured funding and the success of short- and long-term guaranteed debt programmes enabled Dexia and Dexia Crédit Local to reduce reliance on central bank funding and establish temporary liquidity reserves in anticipation of significant maturities at the end of 2014 and the beginning of 2015.

Some uncertainties remain however over the resolution period, in the implementation of the business plan due to the potential impact of regulatory and accounting developments.

Moreover, Dexia and Dexia Crédit Local's balance sheets still exhibit structural imbalances and the limited resources available since the beginning of their resolution to remedy this situation may not allow compliance with certain regulatory ratios during the resolution process. For instance, the Dexia Group orderly resolution crystallised a funding structure heavily dependent on market and central bank funding, since Dexia no longer has retail franchises and is unable to increase its deposit base. This will be reflected in the future level of the Liquidity Coverage Ratio (LCR).

The business plan remains exposed to the evolution of the macroeconomic environment. A 10 basis point decline in interest rates over the entire curve could result in an increase of EUR 1.1 billion in Dexia and Dexia Crédit Local's liquidity requirement over the next two years due to higher cash collateral needs[1]. Similarly, a less optimistic credit environment and/or the widening of credit spreads could also have a negative impact on the income statement and available liquidity reserves and may increase regulatory capital requirements.

Finally, if market demand for government-guaranteed debt decreases, Dexia Crédit Local may need to tap more costly funding sources which could have a negative impact on the profitability assumed in the original business plan. 2015 and 2016 may be challenging in light of a more volatile foreign exchange environment and very low interest rates.

The most recent update of the business plan reflects surplus liquidity over the life of the plan. However, at the end of 2014 and the beginning of 2015, Dexia and Dexia Crédit Local's surplus liquidity were reduced by additional cash collateral posting to market counterparties. This growing liquidity requirement was offset by sustained issuance of long-term government-guaranteed debt consisting of EUR 4 billion in benchmark transactions and EUR 2 billion in private placements year to date as at mid-February 2015. Dexia Crédit Local also continued to increase secured funding.

Analytical segmentation

Having completed its commercial entity disposal programme at the beginning of 2014 as required under the resolution plan, Dexia and Dexia Crédit Local are now focused on managing their residual assets in run-off, protecting the interests of the Group's State shareholders and guarantors.

In line with the Group's profile, Dexia and Dexia Crédit Local's performance is now shown at a consolidated level on the basis of a single division entitled "Management of activities in run-off", without specific allocation of funding and operating expenses by segment of activity.

(1) Deposits or financial instruments posted by Dexia and Dexia Crédit Local to their counterparties in order to secure obligations under interest rate or currency swaps.

This analytical presentation of performance is in line with Dexia Crédit Local's structure no longer consisting of homogenous operating units with their own decision-taking power in terms of resource allocation (funding and operating expenses). Consequently, operating charges must be considered globally and by geographic entity to ensure optimum management.

Income statement presentation

In order to make the results easier to understand, Dexia has used the following segmentation:

- Recurring elements related to the carry of the portfolio, funding costs, operating expenses and cost of risk[1] ;
- Accounting volatility elements related to fair value adjustments of assets and liabilities including the impact of the IFRS 13 accounting standard (CVA, DVA) and the valuation of OTC derivatives, own credit risk (OCR), and the volatility of the WISE[2] portfolio. These elements do not correspond to cash gains or losses. They are written back prorata temporis over the amortisation term of the assets or liabilities but generate volatility on each accounting closure date;
- Non-recurring elements: one-off items such as gains and losses on asset disposals, litigation and restructuring costs.

Dexia Crédit Local's consolidated financial statements

Analysis of the consolidated income statement

Over the course of the year 2014, Dexia Crédit Local generated a net income Group share of EUR -478 million.

Over the year, the impact of accounting volatility elements (defined above) amounted to EUR -403 million.
Income from the commercial portfolios was EUR 742 million as at 31 December 2014 and covered the funding costs. At EUR -653 million, these were down throughout the year, particularly as the remaining debt issued under the higher cost 2008 guarantee reached maturity.
As a consequence, net banking income improved to reach EUR -34 million in 2014, compared to EUR -220 million a year earlier.
General operating expenses were EUR -369 million, and in particular include the consultancy costs associated with work done for the Asset Quality Review (AQR) performed in 2014 by the European Central Bank.
The gross operating income was therefore EUR -403 million over the year.
The cost of risk and net gains or losses on other assets were EUR -64 million over the year, of which EUR -63 million for cost of risk. Related to total Group exposure, the cost of risk was 3.6 basis points, reflecting the good quality of the asset portfolio. Against a still fragile economic background, Dexia Crédit Local increased its collective provisions on certain sectors, including renewable energies and the banking sector. These allocations were offset by reversals of provisions on assets sold, particularly the direct exposure to the City of Detroit.
Considering these elements and integrating a loss of EUR -1 million on asset disposals, the pre-tax income was EUR -466 million.
Over the year, the tax charge was EUR -19 million.
The net income was therefore EUR -485 million.
The income attributable to non-controlling interests was EUR -7 million, leading to a net income Group share for the year 2014 of EUR -478 million.

CONSOLIDATED INCOME STATEMENT – ANC FORMAT

(in EUR million)	2013	2014
Net banking income	**(220)**	**(34)**
Operating expenses and depreciation, amortisation and impairment of tangible fixed assets and intangible assets	(365)	(369)
Gross operating income	**(585)**	**(403)**
Cost of risk and net gains or losses on other assets	(138)	(64)
Pre-tax income	**(723)**	**(467)**
Income tax	(43)	(18)
Result from discontinued operations, net of tax	(143)	0
Net income	**(909)**	**(485)**
Minority interests	(5)	(7)
Net income Group share	**(904)**	**(478)**

(1) As the cost of risk is a structural element of the Group's operating performance, gains and losses on the disposal of impaired assets and reversals of associated impairments are classified as recurring elements. Gains and losses on the disposal of assets not impaired are classified as non-recurring elements.
(2) Synthetic securitisation on an enhanced bond portfolio.

Evolution of the consolidated balance sheet

At year-end 2014, Dexia Crédit Local's consolidated balance sheet totalled EUR 246 billion, up EUR 24.6 billion from year-end 2013.
The increase of the balance sheet over the year 2014 came in two phases. In the first half-year, balance sheet growth was explained primarily by the creation of a temporary liquidity reserve, anticipating significant debt repayments at the end of 2014 and the beginning of 2015. Over the second half of the year, the balance sheet increase was essentially due to the impact of exchange rate variations and low interest rates, which resulted in higher cash collateral to be posted to Group counterparties, particularly in the third quarter.
Over the year, at constant exchange rates, the main variations were as follows:

- on the asset side, a EUR 20.3 billion increase in fair value elements plus EUR 9.8 billion of net cash collateral posted to counterparties compared with year-end 2013, partly offset by the EUR 9.9 billion reduction of the asset portfolio.
- on the liability side, a EUR 20 billion increase of fair value elements.

The balance sheet increase associated with exchange rate variations was EUR 3 billion.

Information country by country

All Dexia Crédit Local Group entities are managed in run-off, except Dexia Israel, in order to preserve the value of its commercial franchise with a view to its disposal.
Moreover, Dexia Crédit Local acts in compliance with the principles of the Foreign Account Tax Compliance Act (FATCA) and with the principles adopted by the OECD and the G20 on the implementation of international standards aimed at improving fiscal transparency and the exchange of information for tax purposes.

1. ESTABLISHMENTS AND THE NATURE OF THEIR ACTIVITY

Germany	
Dexia Kommunalbank Deutschland AG	Bank, credit institution
Spain	
Dexia Sabadell SA	Bank, credit institution
United States	
Dexia Crédit Local - branch	Bank, credit institution
Dexia Real Estate Capital Markets	Other financial activities
Dexia Holdings, Inc	Holding company
Dexia Delaware LLC	Other financial activities
Dexia FP Holdings Inc (1)	Other financial activities
Dexia Financial Products Services LLC (1)	Other financial activities
FSA Asset Management LLC (1)	Other financial activities
FSA Capital Markets Services LLC (1)	Other financial activities
FSA Capital Management Services LLC (1)	Other financial activities
Dexia CAD funding LLC	Other financial activities
France	
Dexia Crédit Local	Bank, credit institution
CBX.IA 1	Acquisition of land, buildings, real estate rights
CBX.IA 2	Real estate leasing
Dexia CLF Régions Bail	Leasing company
Dexia Flobail	Financing local investments by credit-lease
Dexia CLF Banque	Bank, credit institution
Cayman Islands	
FSA Global Funding LTD (1)	Other financial activities
Premier International Funding Co (1)	Other financial activities
Ireland	
Dexia Crédit Local - branch	Bank, credit institution
Dexia Crediop Ireland	Other financial activities
WISE 2006-1 PLC	Other financial activities
Israel	
Dexia Israel Bank Ltd.	Bank, credit institution

1. ESTABLISHMENTS AND THE NATURE OF THEIR ACTIVITY

Italy	
Dexia Crediop	Bank, credit institution
Crediop per le Obbligazioni Bancarie Garantite S.r.l.	Other financial activities
Tevere Finance S.r.l	Other financial activities
Japan	
Sumitomo Mitsui SPV	Other financial activities
Luxembourg	
Dexia LdG Banque SA (2)	Bank, credit institution
SISL (3)	Management of holdings
Mexico	
Dexia Crédito Local México SA de CV Sofom Filial	Bank, credit institution
Portugal	
Dexia Sabadell - branch	Bank, credit institution
United Kingdom	
Dexia Management Services Ltd	Other financial activities
FSA Portfolio Asset Ltd	Other financial activities

(1) Legacy entities related to the former activity of Financial Security Assurance.
(2) Former Dexia Group issuer of Lettres de Gage, expecting to close in a near future, depending from the pace of reduction of the balance-sheet.
(3) Entity being wound-up; liquidation expected in 2015.

2. DATA PER COUNTRY

Country of establishment	Net banking income (in EUR million)	Pre-tax income (in EUR million)	Current tax (in EUR million)	Workforce
Germany	41	(9)	0	81
Spain	36	(18)	0	35
United states	(16)	(41)	(2)	144
France	(286)	(540)	(21)	676
Cayman Islands	(7)	(7)	0	
Ireland	137	153	(1)	32
Israel	30	23	(8)	47
Italy	14	(33)	4	176
Japan	0	0	0	
Luxembourg	2	0	0	
Mexico	1	(1)	0	1
Portugal	11	8	0	3
United Kingdom	3	0	0	11

Dexia Crédit Local statutory financial statements

Evolution of the income statement

Dexia Crédit Local's net income for the 2014 financial year was EUR -747 million, against EUR -25 million in 2013.

It is principally marked by the ongoing transformation of the Group's funding structure.

Net banking income was negative at EUR -463 million. It consists in particular:

- of the interest margin of EUR 315 million. This interest margin integrates the cost of State guarantees at EUR -54 million over the year, the application of the discount on securities issued by Banque Internationale à Luxembourg at EUR 198 million and the impact of the application of the discount associated with the reclassification in 2013 of securities available for sale as held to maturity (EUR 101 million).
- of losses associated with the held-for-trading and available-for-sale portfolios at EUR -685 million. On 30 September 2014, Dexia Crédit Local developed the parameters used in valuing its securities portfolio. This resulted in a maximisation of the use of observable market data for securities valuation. As a consequence, the change of these parameters led to a significant increase of EUR 818 million for provisions for unrealised losses on available-for-sale securities.

Operating expenses were EUR -268 million over the year 2014, up 14%, principally explained by the increase of IT operating costs.

The cost of risk was negative at EUR -21 million, against EUR 225 million in 2013. It mainly includes an allocation to provisions for litigation and significant reversals within the New York branch, associated with the City of Detroit and the Puerto Rico file.

The gains/losses on real estate assets amounted to EUR 8 million. It essentially consists of results from asset transfers, particularly CLF Immobilier at EUR 1.6 million and CLF Marne La Vallée at EUR 5.3 million.

CONSOLIDATED INCOME STATEMENT - ANC FORMAT

(in EUR million)	2013	2014
Net banking income	70	(463)
Operating expenses	(235)	(268)
Gross operating income	**(165)**	**(731)**
Cost of risk	225	(21)
Operating income	**60**	**(752)**
Capital gains (losses) on non-current assets	34	8
Pre-tax income	**94**	**(744)**
Corporate income tax (expense)	(119)	(3)
NET INCOME	**(25)**	**(747)**
Basic earnings (loss) per share (in EUR)	*(0.11)*	*(3.34)*
Diluted earnings per share (in EUR)	*(0.11)*	*(3.34)*

Evolution of the balance sheet

The balance sheet total as at 31 December 2014 was EUR 149 billion, against EUR 146 billion in 2013, up 2%.
Applying Article R 511-16-1 of the Monetary and Financial Code, the Dexia Crédit Local return on assets, calculated by dividing the net result by the balance sheet total, was -0.5% in 2014.

A - Assets

Customer loans

As at 31 December 2014, total customer loans were down 5.4% at EUR 35 billion (against EUR 37 billion at the end of December 2013) due to natural amortisation.

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

The total value of securities held was EUR 39 billion, against EUR 40 billion at the end of 2013. The evolution of the different portfolios is presented in the notes to the financial statements. They essentially consist of French and foreign bonds, negotiable debt securities and government securities. The fall of the securities portfolio is explained by disposals and natural amortisation of the portfolio.
With the aim of carrying assets over the long term, on 1 October 2014 Dexia Crédit Local made an accounting reclassification of available-for-sale securities to the held-to-maturity portfolio. This reclassification related to an amount of US assets of USD 5.7 billion. A provision for depreciation of USD 608 million was booked for the assets on this reclassification and will be applied over the residual term of the securities.

Equity investments, shares in affiliated enterprises

Equity investments were at EUR 1.2 billion, as they were at the end of 2013. There was no acquisition in 2014.

Other assets

The item Other assets was EUR 27.2 billion, against EUR 19.5 billion at the end of 2013. The increase of cash collateral explains this sharp rise of the item.

B - Liabilities

Banks and financial institutions

The Dexia Crédit Local debt with credit institutions was EUR 49 billion as at 31 December 2014, against EUR 42 billion at the end of 2013. This increase of EUR 7 billion over the year is due to an increase of EUR 11.6 billion in Repo transactions, in line with the strategy of developing this activity, partially offset by a fall of EUR 6.7 billion in central bank funding. As a consequence, the portion of central bank funding represented EUR 6.9 billion as at 31 December 2014, against EUR 13.5 billion as at 31 December 2013.

Debt securities

The amount of debt securities in total liabilities is a characteristic element of the Dexia Crédit Local balance sheet. As at 31 December 2014, it was EUR 79 billion, against EUR 84 billion at the end of 2013.

Delays in paying suppliers

In application of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, each year Dexia Crédit Local must publish a breakdown of the balance of its debts to its suppliers by due date. The supplier debts of Dexia Crédit Local represent an insignificant amount of the company's balance sheet total. Dexia Crédit Local's practice is to settle its invoices at 45 days unless a contractual agreement signed with the supplier provides for a settlement deadline of 30 days or 60 days as the case may be.
Supplier debts were nil as at 31 December 2014.

Equity

By resolution of the combined shareholders' meeting held on 16 December 2014, Dexia Crédit Local reduced its share capital by an amount of EUR 1,062,374,436 in order to clear the company's debts. This capital reduction was effected by reduction of the nominal value of shares. Dexia Crédit Local's share capital is now EUR 223,657,776 represented by 223,657,776 shares each with a nominal value of EUR 1.00.

Five-yeat financial summary

	2010	2011	2012	2013	2014
EQUITY					
Share capital (in EUR)	500,513,102	500,513,102 (1)	1,286,032,212 (2)	1,286,032,212	223,657,776 (3)
Number of shares	87,045,757	87,045,757	223,657,776	223,657,776	223,657,776
COMPREHENSIVE INCOME (IN EUR)					
Revenues	2,252,572,210	2,959,081,434	3,627,154,228	2,073,786,463	1,608,398,829
Earnings before income tax, depreciation, amortisation and net impairment charges	(825,474,016)	(2,433,312,349)	(2,617,452,491)	(1,726,311,574)	(105,198,739)
Corporate income tax	314,136,349	(536,307,767)	(15,803,247)	(118,600,706)	(3,079,383)
Earnings after income tax, depreciation, amortisation and net impairment charges	(1,530,340,831)	(4,435,388,577)	(932,703,020)	(25,026,743)	(108,278,122)
Dividends	Nil	Nil	Nil	Nil	Nil
DATA PER SHARE (IN EUR)					
Revenues	25.88	33.99	16.22	9.27	7.19
Earnings after income tax and before depreciation, amortisation and net impairment charges	(6.07)	(34.12)	(11.7)	(,8.25)	(0.47)
Corporate income tax	3.61	(6.16)	(0.07)	(0.53)	(0.01)
Earnings after income tax, depreciation, amortisation and net impairment charges	(17.58)	(50.95)	(4.17)	(0.11)	(0.48)
Dividends	0.00	0.00	0.00	0.00	0.00
EMPLOYEE DATA					
Employees as at 31 December	1,341	1,276	1,132	922	805
Managerial staff	1,004	955	885	729	644
Administrative staff	337	321	247	193	161
Gross payroll (in EUR)	128,807,172	104,489,065	84,162,812	100,668,306	81,251,269
Payroll taxes and employee benefits (social security, employee benefit programmes, etc.) (in EUR)	36,542,329	33,539,417	32,379,243	30,914,577	24,803,347

(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's share capital following the issue of new shares. This increase enabled Dexia to subscribe for the capital increase carried out by its subsidiary Dexia Crédit Local, whose Board of Directors decided at its meeting on 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.

(3) By resolution of the combined shareholders' meeting held on 16 December 2014, Dexia Crédit Local reduced its share capital by an amount of EUR 1,062,374,436 in order to clear the company's debts. This capital reduction was effected by reduction of the nominal value of shares. Dexia Crédit Local's share capital is now EUR 223,657,776 represented by 223,657,776 shares each with a nominal value of EUR 1.00.

Risk management

Introduction

In a continuing uncertain economic environment, Dexia Crédit Local maintained its active credit risk management and focused on certain sectors and counterparties, especially the renewable energy sector, the banking sector, the city of Detroit and the Commonwealth of Puerto Rico. Relative to Group total exposure, the cost of risk came out at a very low level, equal to 3.6 basis points on average over the year, confirming the good credit quality of the asset portfolio. 86% of the Group's exposure is rated "Investment Grade".
In 2014 Dexia Crédit Local also continued to desensitise the outstanding amount of structured loans, in line with the com-mit-ments made by the States to the European Commission. This policy, combined with the evolution of the legal frame-work for structured loans in 2014, contributed to reducing the legal risk to which the Group is exposed.
The year 2014 was marked by the comprehensive assess-ment performed by the European Central Bank, upstream of implementation of the Single Supervisory Mechanism. This assessment included an asset quality review, which involved the teams in the risk activity line for a large part of the year.
Lastly, in the context of the company project initiated in 2013, governance of the activity line was adapted, following its refocusing on its control functions.

Governance

The role of the Risk activity line is to define the Group's strat-egy on monitoring and manag-ing risk and to put in place independent and integrated risk measures. The activity line seeks to identify and manage risk. If necessary it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of impairments deemed necessary to cover the risks to which the Group is exposed.

Implementation of the company project initiated by the Group in 2013 resulted in significant developments for the Risk activity line, which now focuses on its control functions. The or-ganisation and governance of the activity line there-fore evolved considerably over the year 2014.

Role of the Management Board and the Transaction Committee

The Management Board is responsible for the various policies and directives framing Group strategy, particularly with regard to risk. To facilitate Group operations, a system of dele-gation of Management Board powers has been put in place.
The Management Board delegates its decision-taking pow-ers in relation to operations giving rise to credit risks to a Transaction Committee. This committee includes the heads of the Assets, Funding and Markets, Finance, Risks and General Secretariat, Legal and Compliance activity lines. It can decide to submit larger credit files or those presenting a risk level considered sensitive to the Management Board which remains the body taking the ultimate deci-sion. For each file presented to the Transaction Committee, an independent analysis is per-formed, to reveal the main risk indicators, and a qualitative analysis of the transaction.
Some of the powers of the Transaction Committee are del-egated to the Asset and the Risk activity lines depending on the nature of the portfolios or risks concerned.
The Risk activity line establishes risk policies and submits its recommendations to the Man-agement Board and to the Transaction Committee. It deals with the monitoring and operational management of Group risks under the supervi-sion of these two committees.

Organisation of the Risk activity line

The Risk Management Executive Committee

The decision-taking body of the Risk activity line is its Execu-tive Committee. This committee consists of the head of risks and the five heads of:
• The credit risk department,
• The market risk department,
• The operational risk department,
• The strategic risk and regulatory supervision department,
• The risk quantification and reporting department, combin-ing all the support functions of the activity line.
It meets on a weekly basis to review risk management strate-gies and policies as well as the main internal reports prior to their dissemination outside the activity line. In addition, it is responsible for monitoring regulatory issues, validating collec-tive provisioning methodologies and the general organisation of the activity line.
The organisation and operation of the activity line also relies on certain committees, the prerogatives of which are gov-erned by a system for the delegation of powers.

Credit risk

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.
The credit risk department defines the Group's credit risk policy, which encompasses supervision of the processes for rating counterparties, analysing credit files and monitoring exposures within the Group. It also determines the impairments and collective provisions presented quar-terly within the accounts coordination committee.
Along with the Management Board and the Transaction Committee, several committees, which meet quarterly, supervise the handling of specific risks:

- The **Watchlist Committee** supervises assets considered "sensitive", placed under watch, and decides on the amount of impairments set aside;
- The **Default Committee** screens and monitors counterparties in default by applying Group in-ternal rules, in compliance with the regulatory framework;
- The **Rating Committee** ensures that rating processes are aligned with the established princi-ples and that those processes are consistent across the Group's various entities.

Market risk

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.
The market risk department is responsible for supervising the market risk under the aegis of the Management Board and specialist risk committees. It identifies, analyses and monitors risks and results (including financial instrument valuations) associated with market activities.
The risk management department consists of both central and local teams. The central teams define Group-wide methods for calculating and measuring risks 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, on the basis of reports produced by the product control department, recently created within the Finance activity line. 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 teams.
Market risk policy and management are in the hands of the Management Board and the Risk Management Executive Committee. To facilitate operational management, a system of delegated authority has been put in place within the Group.

- The **Market Risk Committee** is responsible for market risk governance and standards. It de-fines the risk limits that form the general framework for the Group's risk policy and approves hedge transactions by delegation from the Management Board. It meets on a monthly basis.
- The **Valuation and Collateral Monitoring Committee** meets quarterly to analyse indicators relating to the collateral management and to monitor the valuation of structured products.

Transformation risk

Monitoring transformation risk involves monitoring the risk of loss associated with the trans-formation of the banking portfolio as well as liquidity risk.
Transformation risk arises when assets are refinanced by resources presenting a different maturity, indexation or currency. It includes structural risks associated with the financing of holdings with equity in foreign currencies.
Liquidity risk measures Dexia Crédit Local's ability to deal with its current and future cash requirements, both on a discounted basis and in the event of a deterioration in the Group's environment, on the basis of a range of stress scenarios.
Within the Risk activity line, a dedicated ALM Risk team is in charge of defining the risk framework within which management may be placed in the hands of the Financial Strategy depart-ment within the Finance activity line, of validating the models used to actually manage risk, and of monitoring exposures and checking compliance with Group standards. ALM Risk also de-fines 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 regulatory framework in force.
Asset and liability management is supervised by the Dexia Crédit Local, which meets on a quar-terly basis to determine the global risk framework, set limits, guarantee the consistency of strategy and delegate operational implementation to local ALM committees.
The Management Board approves asset and liability management transactions, centralises and coordinates the decision-taking process concerning liquidity matters. It is periodically in-formed of the Group's liquidity position and its evolution and its cover by short, medium and long-term resources. It ensures that liquidity targets are met and contributes to elaborating strategies for funding and asset deleveraging.
In the Group's subsidiaries and branches, local committees manage specific balance sheet risks within the framework defined by the Group's Management Board, under the latter's responsibility.

Operational risk and IT systems security

Operational risk represents the risk of financial or non-financial impacts arising from a short-coming or failure in internal processes, personnel or systems, or external factors. This definition includes IT, legal and compliance risks.
Operational risk, activity continuity and IT systems security management is coordinated by a central team within the Risk activity line supported by a network of correspondents within all 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 operational risk management function, ensuring good continuity management.
The Management Board regularly monitors the evolution of the risk profile of the various Group activities and delegates the operational management of risk monitoring to the **operational risk committee**. Meeting quarterly, this committee examines the main risks identified and decides on the corrective actions to be taken. It validates measurement, prevention or improvement proposals in relation to the various elements of the mechanism.
The operational risk committee relies on committees dedicated to activity continuity and IT systems security, meeting every two months. They examine and decide on actions to be taken to guarantee activity continuity and the implementation of a policy for IT systems security.

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. At the beginning of 2014, Dexia Crédit Local updated all of its credit risk policies with a view to adapting them to the new regulatory texts in particular relating to the concepts of forbearance and non-performing exposure.
On the other hand, credit risk policies were subject to in-depth examination within the context of the comprehensive assessment by the European Central Bank in 2014. The conclusions of the comprehensive assessment of Dexia Crédit Local are detailed in the chapter "Highlights" of this registration document.

Risk measurement

Credit risk is mainly measured using internal rating systems put in place by Dexia Crédit Local under the Basel regulatory framework. Each counterparty is assigned an internal rating by coun-terparty 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 proactively to identify counter-parties requiring regular monitoring by the *Watchlist Committee*.
To control the Group's general credit risk profile, credit risk limits are determined for each counterparty. They are of two types:
- Limits to exposures in run-off in order to check that no purchase is made and thus optimally to manage the run-off of assets;
- Dynamic limits subject to revision in relation to the credit risk associated with counter-parties on funding (Repo) and derivative transactions.

Exposure to credit risk[(1)]

Credit risk is expressed as Maximum Credit Risk Exposure (MCRE) and represents the net carrying amount of exposures, being the notional amounts after deduction of specific impairment and available-for-sale reserve amounts, and taking into account of accrued interest and the impact of fair value hedge accounting.
As at 31 December 2014, Dexia Crédit Local's maximum credit risk exposure amounted to EUR 171.7 billion, compared to EUR 173.2 billion at the end of December 2013. The fall linked to natural portfolio amortisation and asset sales is offset by an exchange effect due to the appreciation of the US dollar and the pound sterling against the euro over the year 2014 and by fair value adjustments resulting from the tightening of credit spreads. At a constant exchange rate, the exposure was down by EUR 6.5 billion over the year.
Exposure is mostly concentrated in the European Union as well as the United States and Canada. Compared to the end of 2013, it was down slightly, with the exception of exposure in the United States, Canada and the United Kingdom due to the exchange effect and exposure to Portugal follow-ing the tightening of credit spreads.

BREAKDOWN BY GEOGRAPHIC REGION

(in EUR million)	31/12/2013	31/12/2014
United States and Canada	26,552	28,639
Italy	27,766	27,178
France	28,092	26,588
Germany	21,937	21,307
Spain	19,923	18,955
United Kingdom	16,742	17,854
Japan	6,002	5,839
Portugal	3,693	4,079
Central and Eastern Europe	3,759	3,539
Belgium	3,829	3,059
Austria	1,732	1,481
Scandinavia	1,035	1,113
Hungary	1,306	1,102
South-East Asia	1,062	990
Netherlands	715	584
South and Central America	536	553
Switzerland	539	502
Turkey	565	419
Ireland	267	221
Greece	216	156
Luxembourg	130	153
Other	6,761	7,369
TOTAL	**173,160**	**171,679**

(1) Cf. also note 7.2. "Credit risk exposure" to the consolidated financial statements in this registration document.

As at 31 December 2014, exposure remained mostly concentrated on the local public sector, considering the historical activity of Dexia Crédit Local. The share of financial institutions increased slightly, in particular due Repo-transactions in the context of the Group funding. The corporate segment was down, taking natural portfolio amortisation into account. The evolution of exchange rates (US dollar and pound sterling) and the improvement of credit spreads explain the increasing exposure to certain sectors, particularly project finance and central governments.

BREAKDOWN BY TYPE OF COUNTERPARTY

(in EUR million)	31/12/2013	31/12/2014
Local public sector	90,460	86,526
Central governments	26,636	28,148
Financial institutions	25,913	26,977
Project finance	14,493	14,761
ABS/MBS	6,717	6,524
Corporate	5,798	5,511
Monoliners	3,143	3,232
Individuals, SME and self-employed	0	0
TOTAL	**173,160**	**171,679**

The credit quality of the Dexia Crédit Local portfolio remains high, with almost 86% of expo-sure rated "*Investment Grade*" as at 31 December 2014.

BREAKDOWN BY RATING*	31/12/2013	31/12/2014
AAA	14.04%	15.09%
AA	21.52%	22.65%
A	28.79%	28.43%
BBB	21.23%	20.20%
Non Investment Grade	0.77%	0.59%
D	12.85%	12.17%
Not rated	0.80%	0.87%
TOTAL	**100%**	**100%**

** Internal Rating System.*

Particular attention is paid to the ten countries presented in the table below because of the important outstanding amounts or their sensitivity. The main developments and significant facts for these sectors and countries in 2014 are discussed in the following paragraphs.

SECTOR EXPOSURE TO CERTAIN COUNTRIES (AS AT 31 DECEMBER 2014)

(in EUR million)	Total	Local public sector	Corporate and project finance	Financial institutions	ABS/MBS	Sovereigns	Monoliners
Italy	27,178	11,125	1,400	582	170	13,901	0
France	26,588	18,069	4,571	3,086	0	862	0
United States	26,327	10,580	787	4,687	4,569	2,880	2,825
Germany	21,307	16,489	488	3,996	9	324	0
Spain	18,955	7,929	2,478	7,344	677	527	0
United Kingdom	17,854	9,267	6,304	1,586	221	70	407
Portugal	4,079	1,788	206	10	94	1,980	0
Hungary	1,102	31	35	31	0	1,006	0
Ireland	221	0	70	80	71	0	0
Greece	156	72	73	0	11	0	0

Dexia Crédit Local's commitments on sovereigns

Dexia Group outstanding on sovereigns is focused essentially on Italy, Poland and the United States and to a lesser extent on Portugal, Hungary, France and Japan.
Dexia Crédit Local has no sovereign exposure to Russia and the Ukraine.

France

In 2014, economic growth remained weak. The public deficit continued to swell with the level of public debt gradually reaching 100% of GDP. Nevertheless, despite a difficult economic situation, large public deficits and limited room for any tax manoeuvre, France still benefits from favourable funding conditions on the financial markets.
Dexia Crédit Local's sovereign exposure to France amounted to EUR 0.9 billion as at 31 December 2014.

Italie

The contraction of Italian GDP continued in 2014. Despite reform undertakings made by Prime Minister Matteo Renzi, room for manoeuvre remains limited. Although sovereign funding condi-tions have improved significantly and the fiscal balance shows a primary surplus, pubic debt, estimated at 132% of GDP in 2014, remains extremely high. The maintenance of growth at a near-zero level impairs the country's debt reduction.
Dexia Crédit Local's sovereign exposure to Italy amounted to EUR 13.9 billion as at 31 December 2014, composed mainly of bonds.

Greece

At the beginning of 2015, concerns on Greek sovereign debt revived after the change of political cycle. Dexia Crédit Local no longer has any direct exposure to Greek sovereign debt. Expo-sure to other Greek counterparties amounted to EUR 156 million at the end of December 2014.

Portugal

The return to growth in 2014 is a positive factor, after three consecutive years of recession and a reform programme imposed under the international aid plan from which the country made a successful exit last May. The economic recovery which began in 2014 should continue in 2015 accompanied by a significant fall of the public deficit. On the financial markets, Portugal's funding conditions have improved considerably. Estimated at 5% of GDP, its liquidity reserves reassured investors with regard to the State's capacity to honour its financial commitments. However, the outcome of the legislative elections scheduled for October 2015 could result in a change of agenda for the promised reforms.

Dexia Crédit Local's sovereign exposure to Portugal amounted to EUR 2 billion as at 31 December 2014, composed almost exclusively of bonds.

Poland

Poland is the only country among the 28 in the European Union to have seen positive economic growth since the crisis began in 2008. After growth of 1.7% in 2013, the increase in GDP could reach 3% in 2014, according to the government, and 3.1% in 2015. However, although resisting external shocks, the country could see its economy affected by growth problems in Europe, to which 55% of its exports are shipped, or by the Ukrainian conflict if it persists.

Dexia Crédit Local's sovereign exposure to Poland amounted to EUR 2.1 billion as at 31 December 2014, composed almost exclusively of bonds.

Hungary

In Hungary, Prime Minister Viktor Orban was re-elected to parliament with an absolute majority last April. The economy improved with growth at 3.2% in 2014, a stabilisation of public finance and a reduction of external debt. In 2014, the authorities adopted measures aimed at resolving the problem of currency loans granted by banks to their customers during the period from 2000, which acted as a significant economic brake.

Dexia Crédit Local's sovereign exposure to Hungary amounted to EUR 1 billion as at 31 December 2014, composed almost exclusively of bonds.

United States

With growth at 3.5% year-on-year in the third quarter 2014, the US economy shows strong signs of recovery. Private consumption and corporate investment confirm their progress with the latter rising 7.2%. The labour market is improving, despite a historically low employment rate. The momentum of the recovery led the Federal Reserve to end its unconventional measures of quantitative easing in October 2014. The impact on rates, kept at a very low level, should be felt from mid-2015.

Dexia Crédit Local's sovereign exposure to the United States amounted to EUR 2.9 billion as at 31 December 2014, of which EUR 0.8 billion in bonds and EUR 2 billion in short-term deposits.

Japan

Japan went into recession at the end of the third quarter 2014. In a reform context, the Japanese government decided to raise VAT from 5% to 8% on 1 April 2014, in order to generate addi-tional tax receipts and to contain a large public debt. The government had intended to increase VAT to 10% in 2015, but Prime Minister Shinzo Abe decided to postpone this second in-crease until 2017 so that it does not further impact household consumption. Following his victory in the early elections held in December 2014, Prime Minister Shinzo Abe introduced a recovery plan for Japan in an amount of EUR 24 billion aligned to the reconstruction of regions affected by the tsunami, household consumption and support for small businesses.

Dexia Crédit Local's sovereign exposure to Japan amounted to EUR 1.3 billion as at 31 December 2014. The entirety of this exposure consists of bonds in yen, the currency risk of which is hedged.

Dexia Crédit Local's commitments on the local public sector

France

Traditionally, election years are marked by a fall in investment. This was confirmed in 2014, with investments contracting 7.4% to EUR 53 billion. Concentrating one half of investment expenditure on the local public sector, the municipalities still remain the main actors.

Local authorities are continuing in their efforts to control expenditure against a back-ground of falling operational receipts and a reduction of State subsidies of EUR -1.5 billion, or -3% compared to 2013. As a consequence, gross savings continued their slow erosion for the third consecutive year, from 18.2% to 17% of operating receipts. The contraction of savings is particularly marked for municipalities (15% in 2013 and 13.6% in 2014).

The increase of debt outstanding remains steady; it reached EUR 173 billion, or a rate of indebtedness of 81%. The regions are more severely impacted by the increase of debt outstanding (+6%) with the rate rising from 87.5% to 93.5% of operating receipts. Whatever the type of the local authority, debt reduction capacity remains very reasonable, at less than five years on average and less than six years for municipalities alone.

The fall in subsidies is nonetheless weighing on the financial outlook for local authorities, with the announcement of a reduction of EUR 3.7 billion per annum until 2017. In addition, local authorities must overcome the double challenge of lower momentum in tax receipts on the one hand and the difficulties in controlling expenditure on the other hand, particularly the social expenditure of departments. The institutional context is also evolving with a plan to merge the 26 regions into 13 in 2016.

Very few payment incidents are to be noted on Dexia Crédit Local's French public sector portfolio in 2014, three quarters of which outstanding is concentred on local authorities and social housing. Rating levels are high, with 70% of outstanding rated A- or better. Non-Investment Grade outstanding only represents 4% and defaults 1% of total exposure to this sector.

Dexia's exposure to the French local public sector amounted to EUR 18.1 billion as at 31 December 2014

Update on the desensitisation of structured loans in France

The year 2014 saw a continuation of the desensitisation of structured and/or sensitive loans subscribed before the financial crisis, jointly by borrowers and lenders.

Structured loans are defined by reference to the classification of types of contracts by their risk level as established several years ago on the request of the French government[1]. This classification has five levels, as well as an "off-charter" perimeter. Structured and/or sen-sitive credits are defined there as:

- lall loan contracts in categories B to E of that classification;
- all so-called "off-charter" contract;
- with the exception of all loans whose structured phase has ended and whose interest rate is definitively set, or variable according to the simple addition of an index normally used on the eurozone interbank or money market, and a fixed margin expressed in percentage points.

Sensitive structured loans are subject to specific monitoring and actions aimed at "reducing the associated risk" of these types of loans (according to the terms of Article 32-II of the Law No 2013-672 of 26 July 2013 on the separation and regulation of banking activities). The sensitive structured loan exposure on Dexia Crédit Local's balance sheet has been reduced to EUR 1.2 billion at the end of 2014.

In order to reduce the risk of litigation in relation to structured sensitive loans and to enable Dexia to desensitise such loans, the European Commission has authorised Dexia Crédit Local 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, within the context of the Group's orderly resolution plan. During the second and last production window, between June and November 2014, Dexia Crédit Local was able to respond to requests from cus-tomers wishing to take this opportunity to desensitise eligible loans.

The legal framework for structured loans evolved considerably in 2014, following measures implemented by the French government. Such framework is aimed at securing the legal environ-ment for the lending banks while providing assistance mechanisms to help local authorities and hospitals facing financial difficulties, through the implementation of two support funds. The resources of these two mechanisms will be sharply increased in 2015, as announced by the French government on 24 February 2015, to enable "contracts to be definitively desensitised and refinanced in order to neutralise their risk". In real terms, the envelope of assistance offered to local authorities, inter-communal groups and HLM (rent-controlled housing) offices for the desensitisation of their sensitive structured loans was increased from EUR 1.5 billion to EUR 3 billion over 15 years, and that available for the same loans to public hospitals was raised from EUR 100 million to EUR 400 million.

More detailed information on the evolving legal framework in France is provided in the section "Litigations" at the end of this chapter.

Italy

Since 2011 the Italian State has faced a significant deterioration of national macroeconomic indicators. Having fallen into recession in 2011, the country seems to have escaped in 2014 with a very low rate of growth of GDP estimated at 0.7%. However, the unemployment rate is constantly increasing, and is now above 10%.

For a few years Italy has been committed to a policy of limiting the expenditure of all public administrations, particularly local authorities. Their income has been severely impacted by the reductions of State transfers, particularly for the public health sector, which represents 70% to 75% of the current expenditure of the Italian regions.

According to the latest available accounts, the financial situation of the various authorities is improving. In particular, Italian municipalities have seen a clear increase in their re-ceipts, higher than the rate of current expenditure. Finally, municipal debt is down, confirm-ing the development which began in 2011.

Furthermore, Law 213/2012 introduced the possibility for municipalities to declare themselves "pre dissesto", an interim stage enabling the authority to establish a refinancing plan sub-mitted for approval to the Regional Court of Auditors, and aiming to give room for manoeuvre in the effort to return to financial stability. At present, three Dexia Crédit Local counter-parties have declared themselves "pre dissesto": the cities of Catania, Naples and Messina.

The financial evolutions of the Italian regions have been much more contrasted. The fall of current income was offset by a reduction of their current expenditure. The level of debt is down slightly, representing a total of EUR 41.3 billion. The financial situation of the re-gions is still fragile however, as they are now extremely sensitive to a rise of expenditure. This situation led Dexia Crédit Local to lower the ratings of seven regions following an exam-ination of the latest available accounts.

Dexia Crédit Local's exposure to the Italian local public sector amounted to EUR 11.1 billion as at 31 December 2014.

Spain

Fund (ALF – intended for the regions and provinces) and a fund dedicated to clearing supplier debts intended for the regions and municipalities (FFPP) provided significant support to local authorities, the financial outlook of which is marked by fall in their income, closely linked to the crisis in the real estate sector.

The financial situation over recent financial years suggests an evolution which differs from one local authority to another. The situation of the provinces has improved. In contrast, autonomous communities and municipalities have seen their indicators follow more mixed devel-opments. According to the latest available accounts, the current receipts of the regions have fallen and some, such as the Regions of Valencia and Catalonia continue to present very high debt levels, at 282% and 225% respectively of current receipts. Finally, financial elements suggest an improvement of the situation of municipalities, with an increase of current re-ceipts. The level of gross savings is still low, and does not cover debt amortisation.

Current prospects confirm the trend. The regions have seen their debt increase whilst their current receipts have fallen. The provinces continue to post limited debt. Finally, municipal-ities post a deteriorating evolution, marked by a fall in their gross margin and a slight rise in their debt.

These persisting difficulties and the contrasted developments have led to a downgrade of the internal ratings of 3 of the 17 regions.

(1) www.collectivites-locales.gouv.fr/lemprunt-structure-et-charte-gissler

Dexia Crédit Local's exposure on the Spanish local public sector amounted to EUR 7.9 billion as at 31 December 2014.

Portugal

Portugal is marked by a sharp contrast between the financial situation of its regions, which has deteriorated somewhat, and that of its municipalities, which is more favourable. Financial developments in the country's two autonomous regions, Madeira and the Azores, are contrasted. The island of Madeira in particular presents an extremely high debt level, reaching 400% of its current income. As a result, the Portuguese State is continuing in its efforts to control the region's expenditure, strengthening the criteria of the stabilisation plan introduced on Madeira in 2012. The financial situation of the islands of the Azores presents a more stable profile, marked by a control of debt at a level of 120% of current income.

In contrast, according to the latest available accounts, the financial data and current outlook suggest that the financial situation of the Portuguese municipalities is positive overall and improving.

However, due to the persistence of a difficult economic environment for the country and internal problems encountered by the autonomous region of Madeira the internal rating of Portuguese local authorities could not be upgraded.

Dexia Crédit Local's exposure on the Portuguese local public sector amounted to EUR 1.8 bil-lion as at 31 December 2014.

Germany

The initial financial indicators for the year 2014 suggest that the financial situation of local authorities is unchanged overall and still very favourable. Nevertheless, developments in the different Länder are contrasted. Some experience constant improvement, like Baden-Württemberg, Bavaria and Saxony, the 2014 growth rates of which are estimated to be higher than 1.5%. On the other hand, other regions present a worrying level of debt, although this fell in 2013 and 2014. Berlin, Bremen and even the Saar have debt rates which were still above 200% of current income in 2013 and data available for 2014 does not offer any hope of this trend easing.

The efforts of the Länder aimed at facilitating debt reduction in some municipalities posting very high debt levels continue, with the elaboration of programmes to support their municipalities so as to foster a reduction of their debt levels. The results of this policy, launched from 2011, are still limited however.

Some risks appear on operations to desensitise structured loans, which only represent a lim-ited portion of Dexia Crédit Local's overall exposure in Germany.

Dexia Crédit Local's exposure on the German local public sector amounted to EUR 16.5 billion as at 31 December 2014.

United Kingdom

The target of achieving a budget balance in 2019, without increasing taxes, is confirmed by the government of David Cameron. Since 2010 State expenditure has already been reduced by 21% and over the next three years (excluding the health, education and development aid budgets) these should fall another 25%. At the same time, numerous reforms are being introduced on a fiscal or accounting level.

Against this background of falling subsidies and the freezing of local taxes, local authori-ties have so far succeeded in adapting and, without deterioration, preserving the most vital services to the population, by virtue in particular of the gains in productivity and severe cuts to secondary budget items. So, despite some historically difficult situations and an almost 14% fall in receipts expected in 2014/2015, at this stage the close of the financial year raises no particular concerns.

As for the social housing sector, the government target clearly means a fall in subsidies granted to finance new programmes even though demand remains high. The slowdown of investments is confirmed and henceforth only the best organised structures or those of critical size will receive the largest proportion of aid. Other associations will thus be forced to develop com-mercial activities at the same time, to offset the fall in public financing. Although the extent of this phenomenon is still limited, the impact of these more risky activities should be carefully monitored.

Dexia Crédit Local's exposure on the United Kingdom local public sector amounted to EUR 9.3 billion as at 31 December 2014, of which EUR 4.6 billion on local authorities and EUR 4.7 billion on social housing.

In terms of risk, the British institutional framework enables the quality of outstanding on local authorities to be considered close to sovereign risk. As for the social housing port-fo-lio, to date it presents no sensitivity.

Greece

The two local authorities to which Dexia Crédit Local is exposed, the municipalities of Athens and Achamai, have continued to pay debt maturities despite the crisis of recent years. Their financial resources partially remain tributaries of State payments. Dexia's exposure amounted to EUR 72 million as at 31 December 2014.

United States

The federated States have benefited from the economic recovery in the United States since 2011, in view of the strong correlation of their receipts (mostly consisting of income and sales taxes) to the economic situation. These federated States remain among the most important issuers on the US bond market, creditors benefiting from a protective institutional framework.

More than 74% of the Dexia Crédit Local portfolio on the federated States consists of counterparties rated AA or higher. Nevertheless, Dexia Crédit Local remains exposed to risky counterparties, given their deteriorating economic and financial situation. In particular, the Group is paying close attention to the situation of the City of Detroit and the Commonwealth of Puerto Rico.

The city of Detroit, which declared insolvency on 18 July 2013, has succeeded in reaching agreements with all of its creditors and in November 2014 the courts approved the recovery plan which asks a great deal of creditors and insurers. The City, which had already made significant budgetary efforts, was deemed capable of fulfilling its obligations and achieving its projections in relation to financial results.

Dexia Crédit Local's exposure to the City of Detroit at the beginning of 2014 was USD 305 million. This exposure was subject to a restructuring (COPs) but was backed by a guarantee from two monoliners. After increasing the impairment on the outstanding exposure in the 1st quarter of 2014, Dexia Crédit Local pursued an active balance sheet management policy and sold its direct exposure to the City, recording a gain of USD 32 million after reversal of impair-ments. Total impairments for this exposure amounted to USD 154 million at the end of 2013. Dexia Crédit Local's remaining exposure to public sector entities associated with the City of Detroit was USD 26 million on the city waste water service, 100% guaranteed by quality monoliners, and USD 137 million on the School district, benefiting from the Michigan State constitutional protection on its debt service and 90% guaranteed by quality monoliners.

In 2014, considerable attention was also paid to the situation of the Commonwealth of Porto Rico in view of its particularly tense financial situation, especially in terms of liquidity, structural deficit and high debt, which is in fact ten times higher than the average of the federated States. Some improvements have been observed however since the arrival of Governor Padilla in January 2013. Among these positive points are the presentation of the first balanced budget for more than a decade, the passing of the "Puerto Rico Public Corporations Debt Enforcement and Recovery Act" (a debt restructuring mechanism for public companies, similar to Chapter IX of the Bankruptcy Act), the implementation of retirement reforms, and the process for reducing expenditure and deficit financing. This recovery programme aims to take the deficit to zero by 2016. The gross book value of Dexia Crédit Local's commitments on Puerto Rico amounted to USD 411 million at the end of December 2014. Total impairments amounted to USD 46 million. Moreover, this exposure is 95% guaranteed by quality monoliners.

Dexia Crédit Local's exposure on the US local public sector amounted to EUR 10.6 billion as at 31 December 2014.

Dexia Crédit Local's commitments on project finance and corporates

The portfolio of project financing and corporate loans remained stable over the year, at EUR 20.3 billion as at 31 December 2014. It is composed 73% of project financing[1], the balance being in corporate loans, such as acquisition funding, commercial transactions and corporate bonds. Over the year, natural amortisation of the portfolio and early redemptions of debt refinancing by bor-rowers were offset by the effects of exchange variation.

As at 31 December 2014, the project finance portfolio amounted to EUR 14.8 billion. It consists 54% of Public-Private Partnerships (PPP), principally in the United Kingdom and France, 22% in energy sector projects, mostly in the field of renewable energies, and 10% in projects presenting a traffic risk. 73% of the portfolio is placed in Western Europe, 18% in the United States, Canada and Australia. 70% of the portfolio is on average rated "investment grade".

Some projects require very close monitoring. The various mechanisms for Spanish State support to local authorities (ALF and FFPP) enabled all or some of the payment arrears on public-private partnerships posted previously in Spain to be cleared. On the other hand, the changes to the Spanish regulatory framework on renewable energies adopted on 16 June 2014, revising existing tariffs, will have an unfavourable impact on part of Dexia Crédit Local's portfolio of Spanish renewable energy projects, necessitating debt restructuring. To date, only one restructuring has been finalised, without generating a loss for Dexia Crédit Local. As a re-sult, Dexia Crédit Local increased its provision on counterparties from the renewable energy sector in Spain up to EUR 68 million[2] at the end of December 2014. This impairment has not been extended to Italy, as the retroactive review of green electricity purchase tariffs in that country is considered unlikely.

Dexia Crédit Local's exposure to project finance in Greece (2 projects) amounted to EUR 73 million as at 31 December 2014, with impairments for an amount of EUR 14 million.

The corporate loan portfolio is approximately EUR 5.5 billion at the end of 2014. It consists 44% of companies in the utilities sector (water, environment, distribution and transmission of energy or gas) and 35% of companies in the infrastructure sector (motorway operators, airports, ports and car parks). 90% of the portfolio is situated in Western Europe, 7% in the United States, Canada and Australia. 84% of the portfolio is rated "investment grade". The main difficulties have been encountered on acquisition funding prior to the financial crisis, presenting too high leverage and difficult to refinance under current market conditions.

Dexia Crédit Local's commitments on ABS

As at 31 December 2014, Dexia Crédit Local's ABS portfolio amounted to EUR 6.5 billion, down EUR 0.4 billion on the end of 2013 as a result of the natural amortisation of positions and some strategic sales.

This portfolio consist of EUR 4.2 billion in US government student loans, which present a rather long amortisation profile and good credit quality, benefiting from the US State guarantee. The balance is principally in residential mortgage backed securities (RMBS) in an amount of EUR 0.8 billion with EUR 0.5 billion in Spain.

The year 2014 showed encouraging signs by virtue of the slowdown of the fall in residential real estate prices in Spain, a slight fall in unemployment and an improvement in the per-for-mance of Spanish borrowers. In addition, external ratings benefited from the upgrade of the Spanish sovereign rating.
The quality of the ABS portfolio remains stable overall, with 86% of the portfolio rated "investment grade" at the end of 2014, almost all of the tranches in which Dexia Crédit Local invested being senior level.

Dexia Crédit Local's commitments on monoliners

Inherited from Dexia Crédit Local's activity in the United States on the US municipalities sector and on ABS, traditionally enhanced, the Dexia Crédit Local portfolio guaranteed by monoliners amounted to EUR 17.6 billion (notional amount) as at 31 December 2014. 83% of the underlying assets are "investment grade".

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

(2) Of which EUR 49 million of sector provision and EUR 19 million of statistical provision.

With the exception of the Assured Guaranty group, whose activity is ongoing and which enhances more than 46% of the guaranteed portfolio, the other monoliners are in run-off.

In general, monoliners have put various mechanisms in place, such as commutations, court actions with the originators of securitisations in the United States or securities repurchases to consolidate their solvency and to be in a position to fulfil their obligations as insurers.

With the exception of FGIC and Ambac's Segregated Account, all the credit enhancers continue to pay insurance indemnities in full and without delay in accordance with contractual conditions. FGIC and Ambac's Segregated Account pay a part of the indemnities due.

The year 2014 was marked by negative developments in relation to Puerto Rico. Although the accumulated exposure of credit enhancers to Puerto Rico is high, no major liquidity problems are to be foreseen for these counterparties, an opinion recently shared publicly by Moody's.

Dexia Crédit Local's commitments on financial institutions

Dexia Crédit Local's commitments on financial institutions amounted to EUR 27 billion as at 31 December 2014. 50% of these are bonds and covered bonds. The balance consists of loans to financial institutions, exposures associated with Repo and derivatives transactions.

Commitments on financial institutions were up 5% over the year. In fact, the natural amortisation of the bond portfolio was offset by the increase of exposures associated with Repo transactions with financial institutions. The pace of amortisation of the bond portfolio will remain sustained over coming years, a fifth of the residual commitments having to be redeemed in 2015 and two thirds before 5 years.

Dexia Crédit Local's exposure is concentrated 17% in the United States and 69% in Europe, prin-cipally in Spain (27%), Germany (15%), France (12%), the United Kingdom (6%) and Belgium (4%).

More than 93% of the portfolio is rated "investment grade". No new defaults were observed in 2014 on this portfolio and the portfolio's credit quality remained stable.

In Southern Europe, the situation of Spanish banks improved overall. In addition, Dexia Crédit Local's exposure to the Spanish financial sector is for the most part in covered bonds. Dexia Crédit Local's exposure to the Portuguese financial sector was almost fully redeemed in the second half of 2014.

In Europe, the year 2014 was marked by the comprehensive assessment made by the European Central Bank, the aim of which was to assess the quality of assets held by European banks and their ability to withstand stress situations. In the end, only 25 banks failed, essentially non-systemic banks, in Italy and Greece (to which Dexia Crédit Local is respectively exposed either very little or not all).

As a result of developments in the regulatory framework, including the entry into force of the Bank Recovery and Resolution Directive (BRRD) Dexia Crédit Local also booked a collective provision of EUR 32 million on the banking sector.

On 1 March 2015, under the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken), the Austrian Financial Market Authority (FMA-Finanzmarktaufsicht) issued a decree initiating the resolution of Heta Asset Resolution AG, previously Hypo Alpe Adria Bank International AG, responsible for managing the legacy assets of Hypo Alpe Adria in run-off, and imposed a temporary moratorium until 31 May 2016 on a substantial part of the debt of the entity (capital and interests).

Dexia Crédit Local notes this decision and states that the nominal value of its exposure to Heta Asset Resolution AG, affected by this moratorium, amounts to EUR 395 million. This exposure has the benefit of a guarantee granted by the State of Carinthia. This outstanding is booked on Dexia Kommunalbank Deutschland AG's balance sheet, it being specified that it is not included in the cover pool of Dexia Kommunalbank Deutschland AG.

Dexia Crédit Local Group is currently studying the appropriate actions to be taken with regard to the decision of the FMA. Nevertheless, as a precaution and following the announcement on 1 March 2015, the Group will book a specific impairment on its exposure in the first quarter 2015, the amount of which will be determined in light of further developments of the situation.

Asset quality

In 2014, impaired loans and advances to customers fell by 16.5% to EUR 1,158 million. This fall was accompanied by a reduction of 43% in specific impairments on loans and advances to custom-ers, which amounted to EUR 306 million. This downward trend is explained in particular by:
- Sales, accompanied by reversals of impairments, on the US local public sector (particularly on the City of Detroit and the Commonwealth of Puerto Rico) as well as the securitisation portfolio;
- Restructuring and sales of "corporate" and project finance assets in the United States, Italy and the United Kingdom, also resulting in a reduction of impaired assets and impair-ments;
- A return to healthy debt of several counterparties in Spain and the United States, in the project finance and corporate sectors.

This decrease is nonetheless tempered by an increase in impairments on certain files associated with corporates and project finance in France, Australia and Portugal.
These sales of highly impaired exposure mechanically resulted in a fall of the coverage ratio, which was at 26.4% at the end of December 2014.
To facilitate monitoring and comparison between the different European banks, the European Banking Authority (EBA) harmonised the definition of Non-Performing Exposure (NPE) and For-bearance.
Non-performing exposure amounts to outstanding unpaid for more than 90 days for which the Group thinks that the counterparty is unable to repay without the implementation of guaran-tees. Dexia Crédit Local has identified exposures corresponding to the said EBA definition and published the amount of its non-performing exposure.

The definition of forbearance groups together facilities granted by banks to counterparties experiencing or about to experience financial difficulties in dealing with their commitments (facilities which banks would not otherwise have granted). Forbearance is applied on healthy or safe assets or on non-performing assets. As at 31 December 2014, 133 contracts, corresponding to 43 counterparties, were considered forborne, for an amount of outstanding at EUR 1 billion.

ASSET QUALITY

(in EUR million)	31/12/2013	31/12/2014
Impaired loans and advances to customers	1,386	1,158
Specific impairments on loans and advances to customers	541	306
Coverage ratio(1)	39.0%	26.4%

(1) 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 system for risk measurement, built on historical and probability models
- 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.

- 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 trad-ing 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 in terms of position, 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.

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.

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 the end of December 2014, total VaR consumption stood at EUR 13.3 million, compared with EUR 12.2 million at the end of 2013, a level lower than the global limit of EUR 40 million.

The Dexia Crédit Local trading portfolio is composed of two groups of activity:

- Transactions initiated by financial instrument trading activities until the date on which the Group was placed in orderly resolution, mostly covered back-to-back;
- Transactions intended to hedge transformation risks on the balance sheet, and in particular the liquidity gap on currencies, but for which there is no documentation of an accounting hedge relationship under IFRS standards.

The main risk factors of the trading portfolio are:

- Cross currency basis swap risk,
- Basis risk BOR-OIS.

VALUE AT RISK OF MARKET ACTIVITIES

(in EUR million)	2014				
VaR (10 days, 99%)	Interest and FX (Banking and Trading)	Spread (Trading)	Other risks	Total	Limit
Average	6.7	5.3	0.2	12.1	40
End of period	8.3	4.7	0.3	13.3	
Maximum	8.3	5.8	0.4	13.3	
Minimum	5.4	4.7	0	11.0	

(in EUR million)	2013				
VaR (10 days, 99%)	Interest and FX (Banking and Trading)	Spread (Trading)	Other risks	Total	Limit
Average	2.6	7.2	0.4	10.2	40
End of period	6.4	5.6	0.3	12.2	
Maximum	7.8	8.4	0.7	14.9	
Minimum	0.7	5.6	0.2	8.2	

Sensitivity of portfolios classified as "*Available For Sale*" to the evolution of credit spreads

The sensitivity of the AFS reserve for available-for-sale portfolios to an increase in credit spreads is closely monitored. At the end of 2014, this sensitivity was EUR -20 million for a one basis point increase in credit spreads. The reduction of sensitivity compared to the end of 2013 is essentially due to the reclassification of illiquid assets to the category "Loans and receivables" on 1 October 2014.

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

Transformation risk

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

Management of interest rate and exchange rate risk

Dexia Crédit Local's balance sheet management policy aims to minimise volatility in Dexia Crédit Local's results.

Measurement of interest rate risk

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% movement on 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 overall and partial sensitivities by time bucket are the main risk indicators used by the ALM risk committees, organised within the Management Board, to manage risk. Dexia Crédit Local's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia Crédit Local's assets and liabilities after hedging for interest rate risk.

The sensitivity of long-term ALM was EUR -14.2 million as at 31 December 2014, compared with EUR +10.5 million as at 31 December 2013. This is in line with the ALM strategy, which seeks to minimise P&L volatility.

(in EUR million)	2013	2014
Sensitivity	+10.5	-14.2
Limit	+/-96	+/-80

Measurement of foreign exchange risk

With regard to foreign exchange, the Management Board decides on the policy to hedge the for-eign exchange risk generated by the existence of assets, liabilities, income and expenditure in currencies. Also subject to regular monitoring:
- The structural risks associated with the funding of holdings in foreign currencies;
- Elements liable to increase the volatility of the solvency ratios of the Group or its sub-sidiaries and branches.

Structural exchange positions are subject to strict limits below which a systematic hedge policy is applied.

Management of liquidity risk

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

Dexia Crédit Local's main objective 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 liquidity management process aims to optimise the coverage of the Group's funding requirements taking into account the constraints to which it is exposed. Funding requirements are assessed pru-dently, taking into account existing transactions as well as planned on- and off-balance-sheet forecasts.

The Group's liquidity reserves consist of assets eligible for the central bank refinancing facilities to which Dexia Crédit Local has access.

To manage the Group's liquidity situation, the Management Board regularly monitors the condi-tions for funding transactions on the market segments on which Dexia Crédit Local operates. It also guarantees proper execution of the programmes put in place. To that end, a specific and regular mode of information has been introduced:

- Daily and weekly reports are provided to members of the Management Board, the State share-holders and guarantors and the regulatory authorities. This information is also used by all parties involved in managing the Dexia Crédit Local's liquidity position – namely the Finance and Risk teams in charge of these topics, and the Funding and Markets activity line;
- The 12-month funding plan is sent monthly to the State shareholders and guarantors, central banks and regulatory authorities;
- Twice-per-week conference calls are held with the European, French and Belgian regulatory authorities 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 the Group's liquidity requirements under various scenarios, is supplemented by the maximum authorised amount of guaranteed issues and the maximum limit set by Banque de France on its emergency liquidity assistance (ELA).
Dexia Crédit Local's liquidity risk is also managed via the French Autorité de Contrôle Prudentiel et de Résolution (ACPR). The ACPR ratio is defined as the ratio of cash to liabilities over a forecast one-month period; the ratio thus calculated must always be above 100%[1].
Over 2014, Dexia Crédit Local respected the various liquidity ratios to which it is subject.

(1) Instruction n° 2009-05 of 29 June 2009 relative to the standard approach of liquidity risk.

Operational risk and IT systems security

Dexia Crédit Local's policy for the management of operational risk and IT systems security

Dexia Crédit Local's policy regarding operational risk management consists of regularly iden-tifying 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.

Risk measurement and management

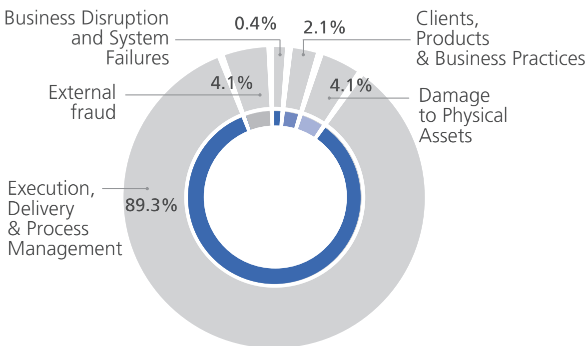
The company project identifies operational risk management as one of the pillars of Dexia Crédit Local's strategy in the context of its orderly resolution.

The monitoring of operational risk is done within the framework of the standard approach de-termined by the Basel regulatory methodology. Under this methodology, information relating to the operational risk must be transferred to the managers in charge of monitoring this risk, and the tasks identified as critical must be monitored.

The operational risk management system relies on the following components.

• Operational risk database: the systematic capture and monitoring of operational incidents is one of the most important requirements of the Basel Committee. Fulfilling its regulatory obli-gations, Dexia Crédit Local has put a system in place to list operational incidents and to gather specific data. The information gathered enables it to improve the quality of its inter-nal control system.

Over the last three years, the breakdown of total losses between the standard categories of incidents is as follows:



The classification of the various categories of operational incidents was modified as a result of the reduction of the scope of Dexia Crédit Local.

For example, internal fraud, which is more typical for retail and private banking activities, has almost disappeared following the disposal of the Group's retail banking businesses. "Execution, delivery and process management" remains the most dominant category, though there have been very few major events since 2010.

The other categories account for few events and represent low loss levels. The main incidents are subject to corrective actions approved by the Group's management bodies.

• Risk self-assessment 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 Group's various entities and businesses. Actions to limit risk may be defined where applicable.

• Definition and monitoring of action plans: actions are defined in response to major inci-dents, deficient controls or important risks identified. Regular monitoring is carried out by the operational risk management function. This process allows the internal control system to be constantly improved and risks to be reduced appropriately over time.

• Scenario analysis and *Key Risk Indicators* (KRI): two specific elements of the operational risk management mechanism were developed in 2014: scenario analysis relating to internal fraud by the misappropriation of means of payment and the introduction of Key Risk Indicators (KRI) on the main risks identified in the operational risk mapping.

• 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. All activities take place in a secure environment. The various activity lines establish impact analyses for vital activities in the case of disaster or interruption. They define plans for the recovery. Updating of activity continuity procedures takes place at least once a year. On the basis of regular reports, the Management Board signs off recovery strategies, residual risks and action plans with the aim of delivering continuous improvement.

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

The table below shows the capital requirements determined by the standard approach computation with a conservative buffer for 2014:

(in EUR million)	2013	2014
Capital requirement	202	80

Management of operational risk during the period of resolution

In 2014, Dexia Crédit Local continued to adjust its structure and its operational processes in line with its orderly resolution plan. This phase is by nature liable to give rise to operational risks, particularly as a result of factors such as the departure of key staff members, potential staff demotivation, and process changes when 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, Dexia Crédit Local was called upon to assess the risk of discontinuity associated with the factors referred to above.
Furthermore, the separation of Dexia Crédit Local from Société de Financement Local (SFIL), finalised in 2014, is subject to specific analysis and monitoring, particularly concerning the duplication of applications and the management of access.
Finally, Dexia Crédit Local has taken action to prevent psycho-social risks and provide staff with support in connection with such risks.

Stress tests

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

In 2014, 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, in 2014 Dexia also carried out stress tests covering the majority of its credit portfolios. In particular, within the framework of Pillar 1 of Basel, the credit exposure covered by internal rating systems is tested for sensitivity and performance under adverse macroeconomic scenarios.

Finally, the comprehensive assessment by the European Central Bank, the main conclusions of which are described in the chapter entitled "Highlights" of this registration document, integrated stress test under various scenarios.

Application of and changes in the regulatory framework

Relying on all the mechanisms put in place to meet the requirements arising from the Basel 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.
The prudential and regulatory developments are detailed in the chapter "Highlights" of this registration document.

Litigations

Like many financial institutions, Dexia 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 within the framework of Dexia's resolution, has raised questions from some of its stakeholders or counterparties. These litigations are referred to below. Unless otherwise indicated, the status of the main disputes and investigations summarised below is as at 31 December 2014 and based on information available to Dexia at that date.
On the basis of the information available to Dexia at that date, other disputes and regulatory investigations in which an entity of the Dexia Group is named as a defendant and regulatory investigations impacting the Group entities are either not expected to have a material impact on the Group's financial position or it is too early to accurately assess whether they may have such an impact.
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 materi-al impact on the Group's financial position, performance or activities are reflected in the Group's consolidated financial statements. Subject to the general terms and conditions of pro-fessional 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.
In addition, the Group has set aside provisions in respect of certain of these risks. Due to the nature of these proceedings, any indication as to whether provisions have been set aside in connection therewith or their subject matter and, if so, the amount of any such provisions, could seriously prejudice Dexia's legal position or defence in connection with those legal actions or any related proceeding.

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, were 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 allegedly they had breached laws and regula-tions 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, insur-ance companies and brokerage firms, including in some cases FSA Holdings, Dexia and/or AGM, were 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 ongoing 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 Finan-cial 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.

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, on 27 July 2010 the DoJ indicted 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 Finan-cial 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 appellate court overturned the verdict against Goldberg and freed him. The DoJ sought a rehearing in order to reverse that deci-sion, but the U.S. Appellate Court denied the DoJ's request.

In spite of some recent developments, at present Dexia is not able reasonably to predict the duration or outcome of the various investigations and legal proceedings in progress, or their potential financial repercussions.

Alleged shortcomings in respect of financial disclosures

Dexia and Dexia Crédit Local have been named as a defendant in a small number of cases alleging shortcomings in thein financial disclosures. Dexia and Dexia Crédit Local strongly oppose the claims put forward in these cases. Regarding the Ricaud case, the claim was dismissed by the Court in Le Havre in November 2014. No appeal has been lodged. This case is now closed.

Dexia Crediop

Like other Italian banks, Dexia Crediop is involved in legal proceedings in Italy and in the UK regarding hedging transactions (which required recourse to derivative instruments such as swaps) entered into in connection with debt restructuring and/or funding transactions with a dozen Italian regions, cities and provinces.

In the lawsuit between Dexia Crediop and the Province of Pisa, the Italian Supreme Court declared the appeal filed by the Province against the decision of the Council of State of 27 November 2012 inadmissible. Consequently, this ruling definitively recognises the earli-er ruling of the Council of State, which confirmed the validity of the derivative instruments concluded between the two parties. On 20 October 2014 Dexia Crediop and the Province of Pisa entered into a settlement agreement according to which, inter alia, the Province of Pisa acknowledged that the swap agreement is legal, valid and binding ab origine, and paid interest on delayed payments. As a result, the parties terminated the UK proceedings by Court approval on 28 October 2014.

On 16 July 2013, the High Court of Justice in London 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. On 6 September 2013, the Region of Piedmont filed with the Court of Appeal of London an application to be author-ised to appeal against the abovementioned decisions of the High Court of Justice. On 9 October 2014 the Court of Appeal refused Piedmont's request for reconsideration of permission to appeal.

With respect to the City of Messina, on 23 October 2014, the Italian Supreme Court confirmed that Italian courts (both administrative and civil courts) do not have locus standi to decide on disputes relating to swap agreements entered into by the City. Rather, English courts have jurisdiction on such disputes.

With respect to three transactions entered into with local authorities, criminal charges have been brought against Dexia Crediop and certain of its employees which, if maintained, could also imply administrative liability on the part of Dexia Crediop for failing to take appropri-ate 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 brought by the Region of Tuscany were dismissed, and this was confirmed by the court in 2014. With respect to the Region of Puglia, on 14 October 2014, the Judge at the Preliminary Hearing fully discharged both Dexia Crediop and its former employee from the accusation of alleged fraudulent behaviour brought by the Public Prosecutor.

Notwithstanding the recent favourable developments in the above litigations, at present Dexia Crediop is not able reasonably to predict the duration or outcome of these proceedings, or their potential financial repercussions.

Kommunalkredit Austria / KA Finanz AG

In November 2008, the Republic of Austria took control of Kommunalkredit Austria AG, in which Dexia Crédit Local (DCL) held a 49% interest, alongside majority shareholder ÖVAG. To facili-tate this deal, DCL agreed to convert EUR 200 million of its exposure to Kommunalkredit Austria AG into participation capital, considered under Austrian banking law as Tier 1 capital.

(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.

In 2009, when Kommunalkredit Austria was split, the participation capital, amounting to EUR 200 million, was allocated as follows:

(i) EUR 151.66 million to KA Finanz AG (formerly known as Kommunalkredit Austria AG) (the defeasance entity which was then constituted), and

(ii) EUR 48.34 million to Kommunalkredit Austria New ("KA New")

Following KA Finanz AG's decision on 25 April 2012 to write-off the accumulated losses by a reduction to zero of DCL's participation capital, with retroactive effect to 31 December 2011, DCL commenced proceedings in Vienna against KA Finanz AG to contest this decision. These pro-ceedings are ongoing and currently pending before the Austrian Supreme Court.

DCL also commenced proceedings against KA Finanz AG and KA New in Vienna to contest the terms of the 2009 split of Kommunalkredit Austria and in particular the division of the participation capital held by DCL between the two entities resulting from the split. These proceedings are ongoing.

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

Structured loans litigations

Dexia Crédit Local (DCL) is involved in a number of cases brought by local authorities to which it had granted structured loans. As at 31 December 2014, 221 clients had issued summons-es against DCL in connection with structured loans, of which 184 concern structured loans held by the Société Française de Financement Local (SFIL), parent company of the Caisse Française de Financement Local (CAFFIL), 22 concern structured loans held by DCL and 15 concern both institutions. It must be noted that DCL did not give any representation or warranties on the loans of CAFFIL at the time of the sale of SFIL in January 2013. Nevertheless, DCL, as legal representative of CAFFIL until the time of the sale, remains responsible for any damages granted to a borrower due to the non-fulfilment of its contractual or regulatory obligations relating to the marketing by DCL of the structured loans held by CAFFIL at the time of the sale.

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

The Superior Court of Nanterre considered 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 appli-cable.

Dexia Crédit Local appealed these rulings and CAFFIL submitted an application to intervene to the Appeal Court of Versailles, on 5 April 2013.

This case law was followed by the Superior Court of Nanterre and three rulings were issued, during 2014, in line with the ruling of 8 February 2013. Both DCL and CAFFIL have appealed these decisions and the cases are pending before the Court of Appeal in Versailles.

The loans referred to in the said decisions fall within the scope of the disposal of the SFIL and, if confirmed, these rulings would have no financial impact for the Dexia Group, as the assets sold are now borne by the CAFFIL.

In view of the risk which might arise with the generalisation of the said case law, the French Government intervened strongly and the French Parliament passed Law 2014-844 on 29 July 2014 in relation to the securitisation of structured loan agreements subscribed by legal entities under public law. The text specifies the conditions of validity of interest stipulations contained in any document establishing a structured loan agreement concluded between a credit institution and a legal entity under public law. It thus secures the structured loans contested in court for the absence of EAPR in the fax or the lack of communication of the rate and the term.

At the same time, the French Government also gave impetus to the implementation of a support fund created by article 92-I of the 2014 Finance Act. Endowed with EUR 100 million per annum for a maximum period of fifteen years, it is intended for local authorities, their groupings and local public institutions as well as authorities overseas and in New Caledonia which subscribed before 2014 to structured loans in particular. The mechanism relates to the most sensitive loans. This fund has been operational since November 2014 and is aimed at providing the borrowers concerned with aid towards the early redemption of these loans. This aid is calculated on the basis of indemnities for early redemption due. It cannot exceed 45% of their amount. Access to this fund is also conditional on the borrower waiving any legal action in relation to the loans for which financial aid is requested.

On 24 February 2015, the French Government declared that the size of the fund would be doubled for local authorities following the deterioration of current market conditions for certain loans. The aid envelope proposed for public hospitals rose from EUR 100 million to EUR 400 million.

Beneficiaries must lodge an aid application with the State representative in the region concerned or in the overseas territory before 30 April 2015.

Dexia Kommunalbank Deutschland, a subsidiary of DCL, was also summonsed in a small number of litigations relating to structured loans.

Dexia Israel

In May 2002, a group of minority shareholders brought a class action against Dexia Crédit Local (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 it to make an offer for all the shares in DIL.

After eleven years of proceedings, the parties finally entered into a mediation process at the request of the District Court and reached an agreement on 14 December 2014 to settle this dispute and also a derivative claim filed in July 2012 by the same minority shareholders, on behalf of DIL, against DCL and 20 current and past directors of DIL, to claim, inter alia, reimbursement of dividends allegedly overpaid by DIL to DCL since the latter acquired its shareholding. These proceedings are ongoing to render this agreement effective. The financial impact on DCL should be limited to NIS 25 million in aggregate.

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 pro-ceeding until such time as a final judgment (including on appeal) has been returned in the first class action.

On 7 October 2014, a new derivative action was brought against DIL by three shareholders (in-cluding one of the authors of the class action of 2011) against DCL, DIL's Chief Executive Officer and 13 of DIL's current and former directors. The claim relates to an alleged boycott of local authorities by DIL in the production of loans in the provinces of Judea and Samaria.

At present Dexia is not able reasonably to predict the duration or outcome of these proceedings, or their potential financial repercussions

Dexia Sabadell

On 6 July 2012, Banco de Sabadell ("BS") exercised the put option granted by Dexia Crédit Local for the purchase of BS' stake in Dexia Sabadell. The parties disagree on the exercise price of the put. Arbitration proceedings before the International Court of Arbitration in Madrid are ongoing.

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

Information on capital and liquidity

The Dexia Group's three strategic objectives at the heart of the company project are to protect the Group's capital base, ensure continued access to liquidity for the duration of its resolution process and manage its operational risks.

Share Capital

Share capital and number of shares

On 16 December 2014, the combined shareholders' meeting approved the reduction of the share capital of Dexia Crédit Local. This capital reduction in an amount of EUR 1,062,374,436, intended to partially wipe out the company's debts, was realised by reduction of the nominal value of the 223,657,776 shares comprising the share capital from EUR 5.75 to EUR 1.00.
On 31 December 2014, the share capital of Dexia Crédit Local therefore amounted to EUR 223,657,776. It is divided into 223,657,776 shares with a nominal value of EUR 1.00. Each share gives a right to one vote and none is subject to pledge.
To date, there is no other security giving access to the capital of Dexia Crédit Local.

Shareholder structure

Dexia Crédit Local's share capital is held directly and almost exclusively by Dexia. In addition, each of the members of the Board of Directors, over the past financial year, held one registered share in the company, in accordance with Article 14 of the company's articles of association.
No material changes have taken place in the shareholder structure in the past five years.
The extraordinary shareholders' meeting held on 12 March 2015 deleted Article 14 from the articles of association requiring members of the Board of Directors to hold one share in the company, notwithstanding legal provisions requiring a minimum of seven shareholders for public limited companies.
Indirectly, through Dexia, Dexia Crédit Local's capital is held 50.02% by the Federal Holding and Investment Company (FHIC) acting under delegation on behalf of the Belgian government and 44.40% by the French government.

Dividends paid during the past three years

No dividends have been paid in respect of the past three years.
In the light of the net loss of EUR -478 million reported for the financial year closed on 31 December 2014, the Board of Directors will propose at the next shareholders' meeting that no dividend be paid in respect of 2014.

As at 31 December	2010	2011	2012	2013	2014
Capital (in EUR)	500,513,102	500,513,102	1,286,032,212	1,286,032,212	223,657,776
Number of shares	87,045,757	87,045,757	223,657,776	223,657,776	223,657,776
Dexia	87,045,744 shares	87,045,745 shares	223,657,766 shares	223,657,763 shares	223,657,764 shares
Individual investors (Directors)	13 shares	12 shares	10 shares	13 shares	12 shares

Regulatory capital and solvency

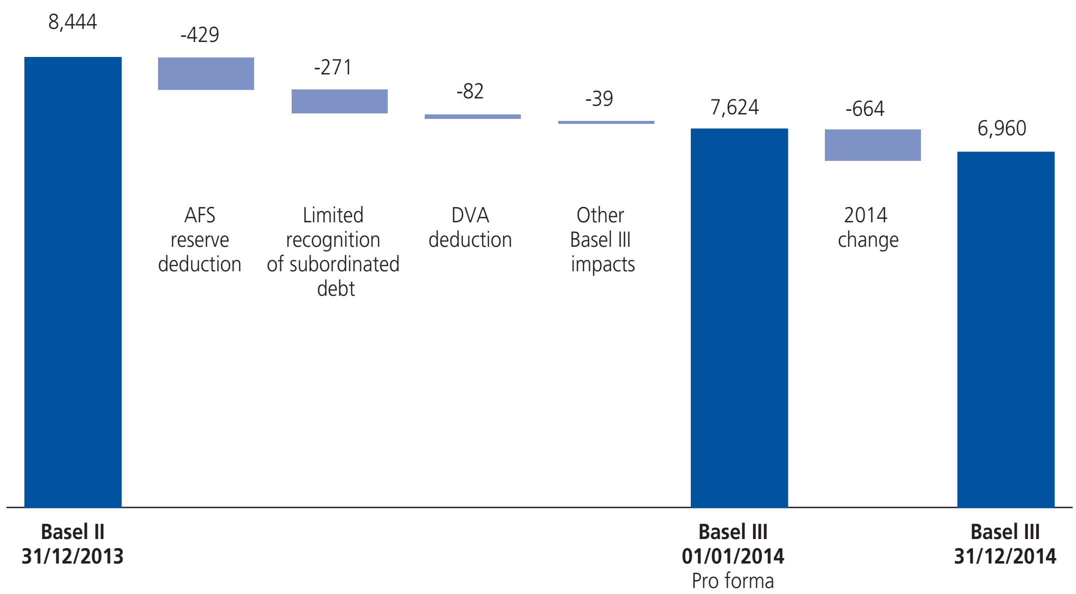
Dexia Crédit Local monitors changes in its solvency using the rules defined by the Basel Committee on Banking Supervision and the European CRD Directive, as well as the ratios set for the Dexia Group by the Committee of European Supervisors.
The year 2014 was marked by implementation of the Basel III reform, a consequence of adoption of the texts of the CRD IV Directive in Europe in 2013.
The passage from Basel II to Basel III was reflected from 1 January 2014 by:
• Replacement of the Core Tier 1 ratio by the Common Equity Tier 1 or CET1 ratio, the latter being the ratio of the amount of Tier 1 equity to total weighted risks;
• Redefinition of the Tier 1 ratio, being the ratio of the amount of regulatory capital in the strict sense including hybrid Tier 1 capital to total weighted risks;
• Replacement of the Capital Adequacy ratio (CAD) by the Total Capital ratio, the latter being the ratio of total regulatory capital to total weighted risks as defined by CRD IV.

Regulatory capital

The regulatory capital can be broken down as follows:
• Common Equity Tier 1 capital, consisting of regulatory capital including share capital, premiums, retained capital including profits for the year, gains and losses directly recognised in equity (revaluation of financial assets available for sale, revaluation of cash flow hedge derivatives and translation adjustments), the eligible amount of non-controlling interests after deduction intangible assets, goodwill, accrued dividends, own shares, the amount exceeding thresholds provided with regard to deferred tax assets and for holding shares and interests in

credit or financial institutions and elements subject to prudential filters (own credit risk, Debit Valuation Adjustment, cash flow hedge reserve), possibly adjusted for prudent valuation;
• Regulatory capital in the strict sense including hybrid capital (Tier 1 Capital) including regulatory Tier 1 capital and hybrid capital securities;
• Additional Tier 2 capital which includes the eligible portion of long-term subordinated debt as well as surplus provisions on the level of expected losses, reduced by the surplus amount of thresholds provided with regard to holding subordinated debt issued by financial institutions.
In accordance with regulatory requirements and applicable transitional provisions:
• Gains and losses directly recognised in equity as revaluation of non-sovereign bonds[1] classified as "available for sale" (AFS) are progressively taken into consideration over a period of five years from 1 January 2014 at 20% per annum cumulatively;
• Gains and losses directly recognised in equity as revaluation of shares are progressively taken into consideration in Tier 1 capital over a period of five years at 20% per annum from 1 January 2014. However gains and losses directly recognised in equity are excluded from the transitional provisions in 2014;
• Non-controlling interests are partially eligible for Tier 1 capital; their limited inclusion is the object of transitional provisions;
• Certain adjustments on subordinated debts and debts must be taken into consideration in the calculation of capital in order to reflect the loss-absorption characteristics of these instruments.
•
With the adoption of Basel III on 1 January 2014, Dexia Crédit Local's regulatory capital decreased by EUR -0.8 billion, mainly due to following factors:
• A 20% deduction of the AFS reserve on non-sovereign securities, with an impact of EUR -429 million;
• A reduction of the recognition of subordinated loans, with an impact of EUR -271 million;
• A deduction of the Debit Valuation Adjustment (DVA), for EUR -82 million.
These elements are illustrated in the graph below.

Main impacts of the first-time application of the CRD IV / CRR on Dexia Crédit Local's regulatory capital (in EUR million)



(1) The National Bank of Belgium (NBB) and the French "Autorité de Contrôle Prudentiel et de Résolution" (ACPR) have confirmed that the rules applicable to Dexia and to Dexia Crédit Local for the calculation of their regulatory solvency ratios during the transitional period from 1 January 2014 to 31 December 2017 would be identical. For both Dexia and Dexia Crédit Local, the AFS reserve on sovereign securities does not have to be taken into account for the calculation of the solvency ratios and the AFS reserve relating to non-sovereign exposures has to be deducted from the regulatory capital up to an amount of 20% per annum.

At the end 2014, Dexia Crédit Local's Total Capital amounted to EUR 6,960 million, compared to EUR 8,444 million as at 31 December 2013. This EUR -1,484 million decrease can mainly be explained by the impact of the first-time application of the Basel III standards and the loss recorded over the year.

Common Equity Tier 1 followed a similar trend and was at EUR 6,786 million as at 31 December 2014, compared to EUR 7,918 million as at 31 December 2013.

REGULATORY CAPITAL (in EUR million)	**Basel II** **31/12/2013**	**Basel III** **01/01/2014***	**Basel III** **31/12/2014**
Total Capital	**8,444**	**7,624**	**6,960**
Common Equity Tier 1	**7,918**	**7,372**	**6,786**
Core shareholders' equity		7 671	7 192
Revaluation of financial assets available for sale or reclassifed		(429)	(529)
Cumulative translation adjustements (group share)		0	79
Actuarial differences on defined benefit plans		(1)	-9
Non-controlling interests eligible in Tier 1		345	341
Items to be deducted:		(214)	(288)
Untangible assets and goodwill		*(28)*	*(23)*
Ownership of Common Equity Tier 1 instruments in financial institutions (>10%)		*0*	*(7)*
Own credit risk		*(104)*	*(104)*
Deferred tax assets		*0*	*0*
DVA		*(82)*	*(154)*
Additional Tier 1	**56**	**40**	**39**
Subordinated debt		45	45
Items to be deducted:		(5)	(6)
Ownership of additional Tier 1 instruments in financial institutions (>10%)		*(5)*	*(6)*
Tier 2 Capital	**471**	**212**	**135**
Subordinated debt		150	61
of which additional Tier 1 instruments reclassified		*11*	*11*
IRB provision excess (+); IRB provision shortfall 50% (-)		196	320
Items to be deducted		(134)	(246)
Ownership of Tier 2 instruments in financial institutions (>10%)		*(134)*	*(246)*

** Pro forma*

On that date Dexia Crédit Local's Tier 1 hybrid capital securities represented a nominal total of EUR 56 million, including EUR 45 million eligible as additional Tier 1 as at 31 December 2014.

No hybrid debt buyback operations were carried out in 2014. Dexia Crédit Local's hybrid Tier 1 capital therefore consists of:

- EUR 56.25 million nominal of perpetual non-cumulative securities issued by Dexia Crédit Local. These securities (FR0010251421) are listed on the Luxembourg Stock Exchange.

Tier 2 capital amounted to EUR 135 million as at 31 December 2014 and includes EUR 61 million of subordinated debt eligible as at 31 December 2014 and issued by Dexia Crédit Local and its subsidiaries.

Dexia's revised orderly resolution plan includes certain restrictions concerning the payment of coupons and the exercise of calls on subordinated debt and hybrid capital from the Group's issuers. In this way, Dexia is only required to pay coupons on hybrid capital and subordinated debt instruments if there is a contractual obligation to do so. Dexia cannot exercise any discretionary options for the early redemption of these securities.

In addition, as announced by Dexia on 24 January 2014, the European Commission refused to authorise Dexia's proposal to repurchase the hybrid capital debt issued by Dexia (XS0273230572), noting that the subordinated creditors must share in the financial burden resulting from the restructuring of financial institutions that have been granted State aid. The European Commission has also informed Dexia that it is authorised to communicate this information to the holders of this instrument and to the holders of financial instruments with identical characteristics. Financial instrument FR0010251421 issued by Dexia Crédit Local has similar 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 in respect of such financial instruments issued by other European banks subject to orderly resolution plans under the supervision of the Commission.

Weighted risks

As at 31 December 2014, weighted risks were EUR 53.2 billion, including EUR 49.3 billion for credit risk, EUR 2.9 billion for market risk and EUR 1 billion for operational risk.

The first-time application of the Basel III solvency rules resulted in an increase in total weighted risks by EUR 7 billion, particularly the Credit Valuation Adjustment (CVA) (EUR 4 billion), the Asset Value Correlation (AVC) (EUR 1.5 billion), and a change in methodology for the calculation of the Exposure at Default (EaD) (EUR 1.5 billion).

Excluding this impact, the increase of weighted risks over the year is due to operational risk, the amount of weighted risk for which has been brought into line with that of Dexia. As for weighted credit risks, the positive impact of natural amortisation and the sale of assets was offset by fair value and exchange rate movements.

WEIGHTED RISKS

(in EUR million)	Basel II 31/12/2013	Basel III 01/01/2014*	Basel III 31/12/2014
Weighted credit risks	41,145	48,339	49,252
Weighted market risks	2,668	2,668	2,941
Weighted operational risks	372	372	1,000
TOTAL	**44,445**	**51,379**	**53,193**

** Pro forma*

Solvency ratios

Dexia Crédit Local's Total Capital ratio was 13.1% and its Common Equity Tier 1 ratio was 12.8% as at 31 December 2014. The fall of these ratios by -5.9 and 5 percentage points respectively from 31 December 2013 was mainly associated with the first-time application of the Basel III regulatory framework.

	Basel II 31/12/2013	Basel III 01/01/2014*	Basel III 31/12/2014
Common Equity Tier 1 ratio	17.8 %	14.3 %	12.8 %
Total Capital ratio	19.0 %	14.8 %	13.1 %

** Pro forma*

Liquidity management

A crucial year for Dexia's liquidity management

2014 was a crucial year for Dexia and Dexia Crédit Local's liquidity management. The Dexia Group's liquidity requirements increased in the face of falling interest rates and significant maturities coming due at the end of 2014 and the beginning of 2015. The latter were primarily related to the repayment of government-guaranteed loans provided by Belfius and the end of the eligibility period for own-used government-guaranteed bonds pledged to Eurosystem refinancing operations.

In the first quarter, Dexia Crédit Local established a temporary liquidity reserve held at central banks, reaching a maximum of EUR 12.6 billion at the end of March 2014. This excess liquidity allowed to repay the portion of outstanding Belfius-owned guaranteed debt due at the end of 2014 (EUR 2.9 billion) as well as the remaining debt under the 2008 guarantee framework (EUR 9.8 billion). The liquidity reserve also helped Dexia offset higher funding needs during the year (EUR +2.8 billion) related to a EUR 9.8 billion increase in net cash collateral posted to interest rate and currency swap counterparties. By the end of 2014, the liquidity reserve was down to EUR 2 billion.

Evolution of the funding profile in 2014

In 2014, Dexia's funding mix continued to gravitate towards market funding, reaching 69% of total funding at the end of December 2014 compared to 65% at the end of December 2013.

Taking advantage of favourable market conditions for government-guaranteed debt, Dexia Crédit Local successfully issued several syndicated benchmarks denominated in euros, US dollars and sterling and for maturities ranging from 3 to 10 years. The benchmark issuances were augmented by robust private placement activity, bringing the total debt issued in 2014 to EUR 10.5 billion, USD 6.8 billion and GBP 1.4 billion in the respective currencies. At the same time, Dexia Crédit Local's short-term funding activity intensified through the use of guaranteed programmes in euros and US dollars with 487 short-term transactions completed for a total of EUR 62 billion and an average maturity of approximately 9 months. Outstanding guaranteed debt, however, remained essentially flat year-over-year, at EUR 73 billion at the end of 2014, as the remaining debt issued under the 2008 guarantee framework matured, offsetting new issues.

Dexia Crédit Local also continued to develop short- and long-term secured market funding, increasing outstandings by EUR 10.6 billion over the year.

The increases in funding more than offset a decrease in deposits (EUR -1.5 billion) and non-guaranteed unsecured funding (EUR 3.4 billion) during the year, allowing Dexia not to call on the Eurosystem beyond its participation in the VLTRO (EUR 33.5 billion as at 31 December 2014).

At year-end 2014, Dexia Crédit Local had a liquidity buffer of EUR 14.4 billion, including EUR 12.4 billion of assets eligible to European Central Bank refinancing.

Recent developments

At the beginning of 2015, in order to ease deflationary pressures, the European Central Bank continued its accommodating monetary policy, supported by an ambitious quantitative easing programme (QE) announced on 22 January 2015. Historically low interest rates, combined with recent foreign exchange movements between the Swiss franc and the euro, have resulted in a further increase in the Dexia Group's funding needs due to higher cash collateral requirements.

In response to these recent developments, Dexia Crédit Local carried out an active funding policy through several secured funding transactions in an effort to optimise its collateral and a sustained government-guaranteed debt issuance programme. As at mid-February 2015, Dexia Crédit Local had raised EUR 6 billion in long-term government-guaranteed funding, consisting of EUR 4 billion in benchmark transactions and EUR 2 billion in private placements. Dexia Crédit Local successfully launched three syndicated benchmarks, one in euro and one in US dollar, and continued to build out its funding curve with one 10-year sterling issue.

This dynamic funding activity enabled Dexia Crédit Local to manage the increase in its liquidity requirement and the repayment of significant funding lines. As at 27 February 2015, Dexia Crédit Local had repaid the remaining portion of outstanding Belfius-owned guaranteed debt which totalled EUR 12.8 billion. It also had repaid the EUR 13 billion of own-used government-guaranteed bonds pledged to the Eurosystem refinancing operations. This repayment is in line with the progressive exit in 2015 from this exceptional funding mechanism granted by the European Central Bank.

The outstanding debt guaranteed by the States of Belgium, France and Luxembourg was reduced from EUR 82 billion as at 17 February 2015 to EUR 70 billion as at 27 February 2015. The maximum ceiling is EUR 85 billion. The recourse to central bank funding was reduced from EUR 33.5 billion as at the end of 2014 to EUR 28.0 billion as at 27 February 2015. The aforementioned repayments are a significant step towards the successful execution of the Dexia and Dexia Crédit Local's orderly resolution.

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 no longer publishes a consolidated CSR 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 securities 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. It includes Dexia Crediop, Dexia Israël, Dexia Kommunalbank Deutschland, Dexia Sabadell, Dexia Crédit Local Dublin Branch and Dexia Crédit Local New York Branch.
It should be noted that certain topics are not, or no longer, relevant to Dexia Crédit Local and its subsidiaries and branches due to the Group's resolution which led to significant reduction in the scope of Dexia Crédit Local. 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;
- The promotion and compliance with the stipulations of the fundamental conventions of the International Labour Organisation related to the elimination of forced labour and abolition of child labour;
- Other actions in favour of human rights.

Staff movements (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, Dexia Crédit Local being managed in orderly resolution.
Energy consumption is provided for Dexia Crédit Local head office, Dexia Crediop, Dexia Kommunalbank Deutschland, Dexia Sabadell, Dexia Crédit Local New York Branch and Dexia Crédit Local Dublin Branch. Only around 15 employees of the Dexia Crédit Local France UES (i.e. around 2% of the workforce of Dexia Crédit Local France UES) are not based in the Dexia head office.
Emissions by type of transport are reported across the same scope, excluding Dexia Sabadell.

Dexia Crédit Local has appointed Deloitte to verify and confirm the non-financial information set out below in respect of 2014.

1. Human resources data

1.1. Employment data

Total workforce as at 31 December 2014 and breakdown by gender and socio-professional category

As at 31 December 2014, Dexia Crédit Local (Dexia Crédit Local UES scope) had a total of 660 employees, compared with 766 in 2013. Dexia Crédit Local recruited a total of 123 employees in the year (compared with 134 in 2013), with 73 of these recruited onto permanent contracts, 39 onto fixed-term contracts and 11 onto work-study contracts. In addition, 19 interns worked for the company as part of their studies.

(Average full-time equivalent)	2013	2014
Management	6	6
Managers	676.5	601
Administrative staff members	57.9	29.8
Non-administrative and other staff members	-	-
TOTAL	**740.4**	**636.8**

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

Breakdown of employees by age and socio-professional category

2014	< 25 years old	25 to 29 years old	30 to 34 years old	35 to 39 years old	40 to 44 years old	45 to 49 years old	50 to 54 years old	55 to 59 years old	60 years old and over	Total
Management	-	-	-	1	2	2	-	-	1	6
Managers	8	78	115	127	100	75	43	45	24	615
Administrative staff members	14	4	2	2	3	2	7	4	1	39
Non-administrative and other staff members	-	-	-	-	-	-	-	-	-	-
TOTAL	**22**	**82**	**117**	**130**	**105**	**79**	**50**	**49**	**26**	**660**

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

Breakdown of employees by entity

	2013	2014
Dexia Crédit Local France UES (excluding employees seconded from Dexia)	766	660
Dexia France (employees seconded from Dexia)	-	-
Dexia Crediop	188	177
Other European entities	212	204
Other non-European entities	144	141
ALL CATEGORIES	**1,310**	**1,182**

(Scope: Dexia Crédit Local consolidated)

Breakdown of employees by geographical region

	2013	2014
France	766	660
Spain/Portugal	34	37
Italy	188	177
Other Europe	178	167
North America	143	140
Other regions outside Europe	1	1
TOTAL	1,310	1,182

(Scope: Dexia Crédit Local consolidated)

Breakdown of employees by gender

	2013	2014
Male	714	641
Female	596	541
TOTAL	**1,310**	**1,182**

(Scope: Dexia Crédit Local consolidated)

Agency staff

No agency staff were working for the company as at 31 December 2014

(Scope: Dexia Crédit Local consolidated)

Changes in staff

	2013	2014
New recruits onto permanent contracts	73	73
Staff moving from fixed-term to permanent contracts	25	17
New recruits onto fixed-term contracts (including work-study contracts)	61	50
Permanent contract staff dismissed	9	21
Permanent contract staff laid off on economic grounds	151 (including voluntary leavers)	84
Permanent contract staff resigning	29	27
Staff leaving under the terms of the agreements with La Banque Postale	31	0
Fixed-term contract staff laid off	0	0
Fixed-term contract staff resigning	6	1
Fixed-term contracts (including work-study contracts) expiring	41	39

In addition to these figures, 43 permanent contract staff were transferred to SFIL and 14 others left (Transfer within the Group/Death/Retirement/End of trial period/Expatriate departures and arrivals) (Scope: Dexia Crédit Local France UES including Dexia CLF Banque)

1.2. Reminder of reorganisation measures and changes in 2014

End of 2012 and 2013: reorganisation of Dexia Crédit Local UES and transfer of employees to SFIL

Note that on 28 September 2012, Dexia put forward plans to reorganise 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.

The new system included, in particular, the sale of Dexia Municipal Agency (DMA), which became Caisse Française de Financement Local (CAFFIL) to a new entity, the Société de Financement Local (SFIL), held by the French government, the Caisse des Dépôts et Consignations (CDC) and Banque Postale (LBP).

SFIL began its activities on 1 February 2013. SFIL and CAFFIL relied on Dexia Crédit Local team tools and expertise for their launch.

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

The change in Dexia's scope also resulted in a simplification of its organisation and a reduction in staff in many departments. With the completion of the transfer of the relevant activities to SFIL and CAFFIL and the simplification of its internal structure, Dexia made significant progress in implementing its orderly resolution plan by the end of 2013.

2014: deployment of the company project and final transfers to SFIL

By the spring of 2013, the changes in the Group's mission and size led management to begin studying the new strategic objectives, the operational model and the working methods at Dexia.

The planning and work carried out by the Group Committee resulted in the company project which was presented to the employee representative bodies on 4 February 2014. Following numerous exchanges, these bodies submitted their opinion on 31 March 2014, enabling operational implementation of the project.

From an organisational standpoint, the company project includes:

- The creation of an "Assets" support line responsible for managing all of the Group's assets and direct relationships with customers;
- The creation of a "Finance and Markets" support line responsible for guaranteeing and optimising Group financing, executing and optimising market operations and coordinating relationships with financial institutions;
- The creation of a "Product Control" activity responsible for the production of non-accounting financial data and performance indicators;

- The creation of a team responsible for implementing the coordination of the Group's overall transformation programme;
- The transfer of activities to the Secretariat General in line with its mission;
- The simplification of many other functions.

The changes implemented by the company project also included the definition of new values (cohesion, flexibility and professionalism) and associated behaviours (see below).
The duplication of computer systems with SFIL was also completed in 2014 resulting in 43 IT employees being transferred to that entity.

1.3. Compensation and benefits

Compensation policy

Under Group procedures, Dexia's Appointment 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, 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, national bodies, CRD IV 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, in 2014, the employees in question benefited from additional non-variable compensation (known as a "salary supplement") 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 43 of this registration document).
The 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 – change – breakdown by gender and socio-professional category

The information contained in the table below covers employees on permanent contracts 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.

In 2014, gross annual payroll costs totalled EUR 64.06 million compared with EUR 80.13 million in 2013 (Scope: Dexia Crédit Local France UES - Dexia CLF Banque)

Employer's contributions

In 2014, gross annual payroll costs totalled EUR 34.82 million compared with EUR 42.15 million in 2013 (Scope: Dexia Crédit Local France UES - Dexia CLF Banque).

Profit-sharing

Discretionary profit-sharing

In accordance with the profit-sharing agreement of 5 June 2014, the basis on which discretionary profit-sharing was calculated for this year 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.

	2013			2014[1]		
(in EUR)	Male	Female	Total	Male	Female	Total
Management	245,000	209,433	223,660	330,000	212,200	271,100
Managers	70,176	58,233	64,446	68,821	58,134	63,630
Administrative staff members	37,710	38,507	38,455	38,087	39,374	39,171
Non-administrative and other staff members	-	-	-	-	-	-
AVERAGE	**71,014**	**56,996**	**63,802**	**71,326**	**58,724**	**65,048**

(Scope: Dexia Crédit Local France UES - Dexia CLF Banque)
(1) In 2014, there was one additional management function at Dexia Crédit Local compared with 2013.

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 were paid in respect of the past three years (gross amounts excluding matching contributions):

- 2012: the amount allocated totalled EUR 733,000 (paid in 2013)
- 2013: the amount allocated totalled EUR 1,375,700 (paid in 2014)
- 2014: the amount set aside totalled EUR 964,500 (to be paid in 2015)

French compulsory profit-sharing (participation)

In accordance with the agreement of 25 June 2013, 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 (RSP) is calculated using the statutory formula.

Eligibility for French compulsory profit-sharing is subject to the same length of service requirement as discretionary profit-sharing.

The amount due is proportional to the employee's annual 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:

- 2012, 2013 and 2014: in light of 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 2008.

Only shares issued by Dexia, 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 consists mainly of members of Dexia's Group Committee and employees whose total compensation exceeds EUR 350,000 a year.

The compensation of the members of the Group Committee 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 attendance 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.

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 telecommuting completing the agreement of 2013 was reached on 6 October 2014. The agreement is intended to provide all company employees whose duties enable them, technically and organisationally, to perform their work activities off-site with the opportunity to work remotely (see below).

Part-time employees

On 31 December 2014, within the UES scope and out of a workforce of 72 part-time employees (83 in 2013), 53 worked four-fifths time and were primarily absent on Wednesdays. Out of the 72 part-time employees, 17 worked on a part-time parental leave basis.

Overtime

Dexia Crédit Local makes little use of overtime. Across the UES, a total of 5,311 overtime hours were paid in 2014 (compared with 17,236 hours in 2013), equating to a gross amount of EUR 167,519 (compared with EUR 507,523 in 2013), worked by 255 employees.

Absenteeism

Across the UES, an absentee rate of 5.1% was recorded in 2014 (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, promotes 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 2014:

Agreement on trade union representation

Dexia Crédit Local has gradually seen the size of its workforce decrease as a result of the major reorganisation work carried out by Dexia in 2012 and 2013 and of the company project in 2014. Given this new context, management and the trade unions sought a proportional readjustment to the union agreement of 29 January 2004 in effect to better reflect the company environment.

Profit-sharing agreement

The agreement of 28 June 2011, signed for a period of three years, was reaching its term and a new agreement was signed on 5 June 2014. This agreement is based on Dexia Group's surplus regulatory capital relative to the plan submitted to the European Commission. It includes a different distribution procedure based solely on actual working hours in the company (as opposed to the previous agreement which based distribution on a combination of actual time worked and the employee's gross annual compensation).

Agreement on the single database (BDUES)

Within the context of labour legislation, the employer must provide staff members representatives with a single database in which indicators for eight specific topics must be kept up to date (corporate investments, shareholders' equity, employee and management compensation, corporate and cultural activities, funder compensation, financial flows to companies, subcontracting, financial and commercial transfers between the Group entities).
In order to have the time to define the implementation procedures for the BDUES and its contents, management and the trade unions reached a time-limited agreement which included the potential negotiation of a company agreement specifying some aspects of the indicators. The agreement was signed on 12 January 2015.

Agreement on telecommuting

An agreement on the implementation of telecommuting was signed by the unions unanimously on 6 October 2014. The agreement is intended to provide all company employees whose duties enable them, technically and organisationally, to perform their work activities off-site with the opportunity to work remotely. In order to maintain the link between employees and the company, the agreement covers requirements for physical presence in the employee's department and division.

Agreement on human resources management following the termination of employment contracts on economic grounds

On 6 November 2014, an agreement on human resources management following the termination of employment contracts on economic grounds was signed for an indefinite period by all of the representative union organisations. It defines the conditions for the departure of employees who might be forced to leave the company on economic grounds (individual or collective) in the coming years. The provisions are being implemented to ensure that the Group can continue its orderly resolution in a peaceful corporate climate while complying with the commitments of 18 December 2012 taken with regards to the European Commission.

Negotiations opened in 2014

In December 2014, management entered into talks with the trade unions about a proposed agreement on the forward-looking management of jobs and skills.

A new balance of union representation in the company since 18 November 2014

The employees of Dexia Crédit Local voted on 17 and 18 November 2014 to elect their employee representatives for a term of four years.
The results redistributed union representation compared to previous elections.
UNSA, a newly created union at the company, is now its most representative union. SNB CFE-CGC, united with CFTC, as well as CGT, maintained their positions with comparable results. CFDT is still representative, but is no longer a majority union. FO is no longer present.

Results of the first round of voting on 17 and 18 November 2014

Participation rate	62.34%	Number of seats on the Works Council	
Representation % 2014-2018 term		Standing	Substitutes
UNSA	39.34%	3	3
SNB-CFE/CGC-CFTC union list	29.94%	2	2
CFDT	18.27%	1	1
CGT	12.44%	1	1

Strong social dialogue in 2014 (situation before the November elections)

- A European works council at Group level in Brussels.
- A works council with 11 standing and eight substitute members (27 meetings in 2014).
- A trade union delegation with eight standing and one substitute trade delegates (15 negotiation meetings in 2014).
- Staff representatives (11 meetings in 2014): the Île-de-France delegations (10 standing and 6 substitute delegates) and those of the rest of the country (3 standing and 2 substitute delegates) experienced attrition following the departure of employees to SFIL and the employment safeguard plan of 2012.
- A Health and Safety Committee (CHSCT) with seven standing members (six ordinary and eight extraordinary meetings in 2014).

1.6. Health and safety policy

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.
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.
In 2014, the Dexia Crédit Local CHSCT met four times in regular meetings and eight times in extraordinary meetings (seven meetings on the company project and one primarily focused on the company doctor's annual report).

Wishing to continue the psychosocial risks prevention policy initiated several years ago, management renewed existing psycho-socialrisk support and prevention systems in 2014. These include the presence of an occupational psychologist and a social worker, yoga classes and a working group responsible for dialogue on concrete actions to be implemented for the prevention and detection of psychosocial risks.

Management also wanted to implement new training courses for employees and, in particular, training on:

- Preventing office-related illnesses
- Improving sleep and daily performance
- Stress and sleep: understanding the interactions
- Managerial practices to promote well-being and performance
- Providing support to returning employees
- Recognising and providing support to employees in difficulty
- Workshops to exchange managerial practices

Accidents

- Number of accidents at or while travelling to or from the workplace: 6
- Number of days off work as a result of accidents at or while travelling to or from the workplace: 107
- Frequency rate(1): 6.13
- Severity rate(2): 0.11
- Number of occupational diseases: 0

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

1.7. Training and skills development

• The values matching the new Dexia profile

The new Dexia profile and the strategy defined by the company project have resulted in a review of the corporate culture. In order to promote the change, it was felt that establishing a strong correlation between the new strategy and a new basis of values was important.

A process involving the members of the Management Committee and of the Group Committee, the Human Resources Department and employees representing all of the Dexia Crédit Local support lines and the other entities defined the three values most representative of the new Dexia profile: Cohesion, Adaptability and Professionalism. These values were broken down into nine primary components essential to the new Dexia operational model and expected of all employees on a daily basis.

• Talent development

Thanks to the contributions of its employees, Dexia is able to meet its commitments to its shareholders and guarantors. Contributions are tracked and measured and individual performance and talent development tracking were reinforced for all employees in 2014.

A new version of the skills and performance computer tool, "Mon Eval", was deployed in 2014. The tool supports interactions between employees, managers and human resources and includes objectives tied to the business lines and the behavioural goals associated with the new Dexia values. Of course, meetings remain one of the keystones of the Dexia Human Resources Department approach.

It is important to Dexia to provide all of its employees with an environment in which the skills and knowledge of each person can continue to develop. It wants every employee to feel that its contribution is being recognised. This management approach is based on human resources working in close cooperation with the managers of each support line and also being aware of employee expectations.

There are many opportunities for development and training available to employees who are in control of their own career. Dexia also wants to ensure that every employee's expertise is sustainable, thereby providing a guarantee for performance and employability and enabling each to have a vision of the evolution of its job within the company.

Training is an integral part of this development. Continuing its work from previous years, the Dexia Human Resources Department is focusing on four major training areas:

- 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 2014, a total of 11,486 hours of training were delivered across the scope of the Dexia Crédit Local UES.

Special attention was given this year to changes introduced by the vocational training reform and the implementation of the personal training account which will replace the individual right to training starting in 2015.

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 is seen in the adoption of concrete measures 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 has 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 2014 the workforce of the Dexia Crédit Local UES included nine 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.

Dexia Crédit Local promotes and complies with the requirements of the fundamental conventions of the International Labour Organisation regarding freedom of association, the right to collective bargaining and the elimination of discrimination in the workplace.

(1) Number of accidents with days off work x 1,000,000/Number of actual work hours
(2) Number of days lost x 1,000/Number of hours actually worked

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 greenhouse gas 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.

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 and associated greenhouse gas emissions are monitored at Dexia Crédit Local head office in France and at its subsidiaries. The table shows the energy consumption for 2014 for the Dexia Crédit Local head office, Dexia Crediop, Dexia Kommunalbank Deutschland, Dexia Sabadell, Dexia Crédit Local Dublin Branch et Dexia Crédit Local New York Branch.

2014	Energy consumption (MWh)	Greenhouse gas emissions in tCO_2e
Electricity	9,498	1,618
Heating	1,468	489
Gas	409	73
Fuel	344	85
Cooling	2,263	45
TOTAL	**13,982**	**2,310**

Local initiatives have been put in place to improve the energy efficiency of buildings:
• 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.
• In Italy, Dexia Crediop uses hydroelectric power for virtually all of its energy needs.

Water consumption

Water consumption by the buildings of the Dexia Crédit Local head office were 23,294 m^3 in 2014.

2.3. Contribution to the fight against global warming

For several years, Dexia has been working to reduce its greenhouse gas 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.
The table below shows travel by train and aeroplane in 2014, as well as the associated greenhouse gas emissions, for Dexia Crédit Local (in France), Dexia Crediop, Dexia Kommunalbank Deutschland, Dexia Crédit Local Dublin Branch and Dexia Crédit Local New York Branch.

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 outside of the capital region.
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.

Greenhouse gas emissions by type of transport

2014	Km travelled by aeroplane	Greenhouse gas emissions in tCO_2e	Km travelled by train	Greenhouse gas emissions in tCO_2e	Total greenhouse gas emissions in tCO_2e
Continental	1,171,282	175	1,324,907	81	256
Intercontinental	1,463,235	438			438

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.

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.
Under Dexia's orderly resolution plan, Dexia Crédit Local is now no longer able to support these activities.

"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 and 2014. In 2014, nine 100-litre bags of caps were collected compared to seven in 2013.

Involvement in a local revitalisation scheme

Dexia Crédit Local has fulfilled its obligation to revitalise the area in which its head office is based (Hauts-de-Seine) as part of its transformation plan and first employment safeguard plan. The scheme, which was launched in August 2011 for two years, and renewed for a one-year period, aims to help protect or create employment in the Hauts-de-Seine department.
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 in transport, services for local populations, energy savings, etc.
These companies often work in niche areas. One of the aims of the Dexia fund is help them expand 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 revitalisation scheme ended in 2014. It enabled the completion of 21 diagnostics and provided support to 20 SMEs for a total budget over the 2011 to 2014 period of EUR 367,000 of which EUR 259,000 was provided as assistance to SMEs. The 20 SMEs involved created 115 new jobs over the period.
Given the reorganisation project implemented in 2013 at Dexia Crédit Local UES – CLF Banque, Dexia Crédit Local approached government services at the end of 2014 to present a new revitalisation project for 2015 and 2016.

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

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.
Dexia is committed to complying with the operational rules of the markets in which it operates and with the internal rules and procedures of these markets. Dexia will not take part in any transactions which could contravene any laws or regulations.
Dexia is committed to ensuring that market traders act professionally and with integrity toward intermediaries and counterparties. It has developed policies and procedures to enable them to provide products and services in line with their categories and investment goals.
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 staff members;
• 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 staff members 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.
In addition, Dexia employees responsible for purchasing act within the framework of a specific code of conduct which sets the rules of behaviour for relationships with suppliers and subcontractors.

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

Year ended 31 December 2014

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,
In our capacity as Statutory Auditor of Dexia Crédit Local S.A., and appointed as independent third-party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048[1], we hereby present you with our report on the social, environmental and societal information prepared for the year ended 31 December 2014 (hereinafter the "CSR Information"), presented in the management report pursuant to Article L.225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the company

The Board of Directors 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 and guidelines used by Dexia Crédit Local S.A. (hereafter the "Reporting Protocols"), which are available on request at the society headquarters and for which a summary is presented in 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.

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

Responsibility of the Statutory Auditor

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 (Attestation of completeness of CSR information);
– to express limited assurance on the fact that, taken as a whole, CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Protocols (Formed opinion on the fair presentation of CSR Information).
Our work was carried out by a team of four people between January and March 2015. 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 13 May 2013 determining the methodology according to which the independent third party entity conducts its assignment and, concerning the formed opinion on the fair presentation of CSR Information, with the international standard ISAE 3000[2].

Attestation of completeness of CSR Information

Based on interviews with management, we familiarised 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 programmes.
We 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 verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.
We 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

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

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and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limitations presented in the section "Methodology" in 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.

Formed opinion on the fair presentation of CSR Information

Nature and scope of procedures

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

– 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[1]:

– for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, 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[2] 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 56% of the headcount and between 45% and 90% of the published environmental quantitative information.

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

Lastly, we 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 anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Protocols.

Neuilly-sur-Seine, 31 March 2015

French original signed by one of the Statutory Auditors:

Deloitte & Associés

Charlotte VANDEPUTTE
Partner

(1) Quantitative social information: total workforce as of 31 December 2014 and breakdown by entity and geographical region, breakdown of employees by gender, breakdown of total number of new hires by type of contract, total number of dismissals, average annual compensation and breakdown by gender and socio-professional category, absentee rate, number of accidents at or while travelling to or from the workplace, Number of days off work as a result of accidents at or while travelling to or from the workplace, total number of training hours.

Quantitative environmental information: breakdown of energy consumption, greenhouse gas emissions related to energy consumption and transport (plane and train).

Qualitative social and societal information: nature of agreements signed within Dexia Crédit Local in 2014, involvement in a local revitalisation scheme, establishment of ethical charters related to fair practices.

(2) Social information: UES Dexia Crédit Local France.
Environmental information: UES Dexia Crédit Local France and Dexia Crediop (Greenhouse gas emissions by type of transport excluded).
Societal information: Dexia Crédit Local.

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 2014, as well as the compensation paid to them during the same period. The composition of the Board of Directors as at 31 March 2015 is set out in the chapter "Report of the Chairman of the Board" in this registration document.

1. Duties and terms of office

Chairman of the Board of Directors

Mr Robert de Metz

3 January 1952
- Chairman of the Board of Directors of Dexia
- Executive Director of La Fayette Management Ltd
- Director of Média-Participations S.A.
- Chief Executive Officer of Bee2Bees SA
- Member of the Executive Committee of Fondation pour les Monuments Historiques
- Chairman of the Board of Directors of Solocal (since 5 November 2014)

Chief Executive Officer and Director

Mr Karel De Boeck

3 August 1949
- Chairman of the Management Board of Dexia, Chief Executive Officer of Dexia
- Chairman of the Board of Directors of Dexia Asset Management Luxembourg S.A. (until 3 February 2014)
- Director (since 15 October 2014) and Chairman of the Board of Directors (since 6 November 2014) of Dexia Crediop
- Partner of White Art Centre CVBA
- Chairman of the Board of Directors of Allegro Investment Fund NV (until 29 April 2014)
- Chairman of the Board of Directors of Boek.be vzw
- Director of ASWEBO nv
- Director of Lamifil nv
- Director of Architecture Archive-Sint-Lukasarchief vzw

Executive Vice-Presidents and Directors

Mr Claude Piret

23 October 1951
- Member of the Management Board of Dexia
- Director and Chairman of the Board of Directors of Dexia Sabadell
- Director (non-executive) of Clinique Saint-Pierre ASBL
- Chairman of the Supervisory Board of Dexia Kommunalbank Deutchland AG
- Director and Vice-Chairman of Dexia Crediop

Mr Pierre Vergnes

6 May 1976
- Executive Director and Member of the Management Board of Dexia
- Permanent representative of Dexia, permanent establishment in France (since 25 April 2014)
- Director of CBX.GEST (until 18 April 2014)
- Director of Dexia Real Estate Capital Markets (DRECM) (until 10 June 2014)

Members of the Board of Directors

Mr Patrick Bernasconi

16 July 1955
- Chairman of Bernasconi TP
- Director of L'Immobilière des Travaux Publics
- Director and Chairman of the Board of Directors of SMAVIE BTP (since 15 January 2014)
- Permanent representative of Fédération Nationale des Travaux Publics and permanent representative of SMAVIE BTP, Member of the Supervisory Board of BTP Banque
- Permanent representative of SMAVIE BTP, Director of SMABTP (since 15 November 2014)
- Co-Manager of SCI Bernasconi Frères
- Co-Manager of Casa Déco
- Director of Château des Deux Rives (until 15 January 2014)
- Permanent representative of SMAVIE BTIP, Vice-Chairman of Château des Deux Rives (since 15 January 2014)
- Director of SGAM BTP
- Chairman of the Supervisory Board of SMA SA (formerly SAGENA)
- Director of FNTP
- Vice-Chairman of the Board of Directors of Société Auxiliaire d'Études et d'Investissements Mobiliers (INVESTIMO) (since 20 February 2014)
- Vice-Chairman of the Board of Directors of SELICOMI (since 15 January 2014)
- Permanent representative of SMAVIE BTP, Director of Société de la Tour Eiffel (since 16 October 2014)
- Chairman of BPI Finances (since 21 March 2014)
- Chairman of the Board of Directors of SAGEVIE (since 25 April 2014)
- Chairman of the Board of Directors of IMPERIO Assurances et Capitalisation SA
- Vice-Chairman of MEDEF
- Vice-Chairman of Conseil Économique, Social, Environnemental (CESE)
- Permanent representative of FNTP, director of CNETP

Mr Paul Bodart

22 January 1953
- Independent Director of Dexia
- Chairman of the Board of Directors of La Compagnie des Sept Bonniers SA

- Member of the European Central Bank's T2S Board (until 1 February 2015)
- Chairman of the Supervisory Board of National Settlement Depository (NSD) (until 31 January 2015)

Mr Bart Bronselaer

6 October 1967
- Independent Director of Dexia
- Executive Director of Brier Business Development BVBA
- Director of Sheng NV (until 1 May 2014)
- 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 BAJ Buzcyna SP.Z.O.O
- Director of PMC-Group SP.Z.O.O
- Director of Finilek (until 1 October 2014)
- Director of Katholiek Onderwijs Kessel-Lo vzw
- Director of Abbaye d'Oignies vzw
- Chairman of the Board of Directors of Right Brain Interface nv (since 20 June 2014)

Mr Alexandre De Geest

5 February 1971
- Non-Executive Director of Dexia
- Director of the silver fund
- Director of SFP Finances

Mrs Delphine de Sahuguet d'Amarzit

9 May 1973
- Non-Executive Director of Dexia
- Director representing the State at BPI GROUPE (SA)
- Director representing the State at BPI GROUPE (EPIC)

Mr Thierry Francq

30 April 1964
- Non-Executive Director of Dexia

Mr Michel Tison

23 May 1967
- Chairman of the Board of Directors of APHILION Q2 (until 21 November 2014)
- Member of the Audit Committee of Universitair Ziekenhuis Gent (until 30 September 2014)

Mr Koen Van Loo

26 August 1972
- Non-Executive Director of Dexia, Managing Director of Federal Holding and Investment Company
- Director of Certi-Fed
- Director of Bel to mundial ASBL
- Director of Société belge d'investissement international
- 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
- Director of Capricorn ICT Fund (since October 2014)

Works Council representatives

Mrs Yannick Valérius

Mr Philippe Keravel

2. Compensation and regulated agreements for Directors and Officers

Dexia Crédit Local's Directors and Officers presented in this section are, on the one hand, the Chief Executive Officer and Executive Vice-Presidents and, on the other, the company's Non-Executive Directors at 31 December 2014.
Karel De Boeck, Chief Executive Officer and Claude Piret, Executive Vice-President do not receive any compensation from Dexia Crédit Local for their offices within the company. Indeed, they exclusively receive compensation from Dexia for their positions as members of its Management Board. Readers are therefore invited to refer to the compensation report in Dexia'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 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 for 2014.
Moreover, in accordance with the undertakings made by the Dexia Group as part of the guarantee agreement of 24 January 2013 concluded with the Belgian and French states and for so long as guaranteed bonds are outstanding or 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 by Dexia: Chairman of the Board of Directors, Chief Executive Officer(s), Executive Vice Presidents 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 2014

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

Basic compensation in respect of 2014

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)	Fixed compensation paid in 2014	Representation fees	Car
Karel De Boeck	*600,000*	*6,324*	*/*
Claude Piret	*480,000*	*6,324*	*6,992*
Pierre Vergnes	*425,000*	*/*	*3,845*

Retention bonus for 2014

Summary of retention bonuses

(in EUR)	
Karel De Boeck	0
Claude Piret	96,000
Pierre Vergnes	0

Discretionary pensions[1]

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 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	64,363.86
Disability	21,370.11
Hospitalisation	978,72
Pension	120,967.74

Claude Piret

DISCRETIONARY SCHEMES	(in EUR)
Death, orphan capital	41,709.64
Disability	16,679.68
Hospitalisation	1,204.92
Pension	96,774.19

Annual premiums of EUR 7,505.16 were paid in 2014 for Pierre Vergnes for mandatory and supplementary cover for death, permanent disability and medical costs.

Option plan

During 2014, no options were exercised or awarded to the Chief Executive Officer and Executive Vice-Presidents.

(1) Holders of a mandate in force as at 31 December 2014.

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 shareholders' meeting of Dexia 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 their performance. 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 a member of the Management Board 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[2]

Karel De Boeck will be entitled, if his contract is terminated by Dexia on grounds other than of serious 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.

(2) Holders of a mandate in force as at 31 December 2014.

Provisions relating to severance benefits contained in employment contracts for Executive Vice-Presidents[1]

Termination of Mr Claude Piret's employment contract (the execution of which has been suspended 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.

In the event of employment contract termination on grounds other than serious act of omission, Mr Pierre Vergnes will be provided with a notice period (or compensation for breach of contract) of seven months of fixed compensation including the notice period and/or payment in lieu of notice legally due, if applicable. The right to the notice period or payment in lieu of notice is subject to certain conditions including satisfactory execution of the contract through the breach date.

(1) Holders of a mandate in force as at 31 December 2014.

2.2. Directors' compensation

(in EUR)	Attendance fees paid in 2013	Attendance fees paid in 2014
Patrick Bernasconi	4,500[1]	8,573
Paul Bodart	9,450[2][3]	10,500[2][4]
Bart Bronselaer	9,450[2][3]	10,500[2][5]
Jean-Pierre Brunel	10,500[6][12]	/
Alain Clot	0	/
Delphine d'Amarzit	9,000[3]	15,000[7]
Karel De Boeck	0	0
Delphine de Chaisemartin	1,500[8]	/
Alexandre De Geest	9,450[2][3]	10,500[2][9]
Robert de Metz	0[10]	0
Fédération Française du Bâtiment (permanent representative Didier Ridoret)	3,000[11]	/
Fédération Nationale des Travaux Publics (permanent representative Patrick Bernasconi)	9,000[14][12]	/
Thierry Francq	12,000[3]	15,000[13]
Philippe Rucheton	0[14]	/
Claude Piret	0	0
Koenraad Van Loo	10,500[2][15]	10,500[2]
Marleen Willekens	4,200[2]	5,250[2] [16]
Pierre Vergnes	/	0[17]
Michel Tison	/	3,150[2][18]

(1) Mr Patrick Bernasconi was co-opted as a director in his own name by the Board of Directors on 6 August 2013.
(2) Net amounts, 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 paid Mr Paul Bodart a total of EUR 46,000 of gross compensation in 2014 for his position as a director and member of the Audit Committee and of the Appointment and Compensation Committee of Dexia.
(5) Dexia paid Mr Bart Bronselaer a total of EUR 46,000 of gross compensation in 2014 for his position as a director and member of the Audit Committee and of the Appointment and Compensation Committee of Dexia.
(6) Mr 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, performed by Mrs Delphine d'Amarzit in 2014, representing a gross total of EUR 28,000, was paid by Dexia to the French Treasury. The attendance fees awarded to Mrs Delphine d'Amarzit for her position as a director of Dexia Crédit Local in 2014 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) Mrs Delphine de Chaisemartin advised the Board of Directors of her resignation from her position as a director on 14 January 2013.
(9) Dexia paid Mr Alexandre De Geest a total of EUR 30,000 of gross compensation in 2013 for his position as a director of Dexia.
(10) Dexia paid Mr Robert de Metz a gross total of EUR 250,000 of fixed annual compensation in 2014 for his position as Chairman of the Board of Directors.
(11) 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.
(12) FNTP advised the Board of Directors of its resignation from its position as a director on 6 August 2013.
(13) The compensation relating to the directorship of Dexia, performed by Mr Thierry Francq in 2014, representing a gross total of EUR 42,000, was paid by Dexia to the French Treasury. The attendance fees awarded to Mr Thierry Francq for his position as a director of Dexia Crédit Local in 2014 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.
(14) Mr Philippe Rucheton advised the Board of Directors of his resignation from his position as a director on 13 December 2013.
(17) Dexia paid Mr Koen Van Loo a total of EUR 48,000 in compensation in 2014 for his positions as a director and member of the Audit Committee, of the Appointment and Compensation Committee and of the Strategy Committee of Dexia.
(16) Mrs Marleen Willekens advised the Board of Directors of her resignation from her position as a director on 13 May 2014.
(17) Mr Pierre Vergnes was appointed director by the Board of Directors on 13 December 2013, effective 1 January 2014.
(18) Mr Michel Tison was co-opted as a director by the Board of Directors on 7 August 2014.

Information on non-regulated agreements and commitments in compliance with Article L.225-102-1 of the Commercial Code

Article L.225-102-1 of the French Commercial Code now requires that companies list in their management report all agreements reached directly or via third parties between:

- A director, the Chief Executive Officer, one of the Executive Vice-Presidents of the company or one of its shareholders with voting rights higher than 10%, on the one hand; and,
- Companies in which the company directly or indirectly has a 50% holding or higher, on the other hand.

Agreements on current transactions signed under normal conditions do not have to be listed.

List of agreements included in the Financial Products (FP) portfolio guarantee

Dexia sold the Financial Security Assurance (FSA) insurance unit to Assured Guaranty Ltd (Assured). The transaction was finalised on 1 July 2009. FSA's Financial Products (FP) activity, managed by FSA Asset Management (FSAM), was excluded from the scope of the sale and is still part of Dexia Group. To the extent that FSA is the guarantor of the FP business' liabilities, the sale necessarily required that Dexia and Dexia Crédit Local guarantee FP's assets and liabilities.

In turn, Dexia received a counter-guarantee from the Belgian and French governments for certain FP business assets (Guaranteed FP Assets). The guarantee was approved by the European Commission on 13 March 2009[(1)]. It should be noted that in 2011 FSAM sold, via Dexia Crédit Local New York (DCLNY), all remaining Guaranteed FP Assets to third parties such that, on 31 December 2011, no Guaranteed FP Assets were covered by government guarantees. However, the guarantee continues to exist from a technical standpoint, although the risk of a call for the guarantee is theoretical.

The agreements referred to below are for the management of FP assets and liabilities held by FSAM and managed in run-off by the Group.

Pledge and Administration agreement, signed 30 June 2009, by Dexia, Dexia Crédit Local (DCL), Dexia Bank Belgium, Dexia FP Holdings Inc., FSA Asset Management LLC, FSA Portfolio Asset Limited, FSA Capital Markets Services LLC, FSA Capital Management Services LLC, FSA Capital Markets Services (Caymans) Ltd, Financial Security Assurance Inc. and The Bank of New York Mellon Trust Company, National Association;

1.1 Dexia Guaranteed Put agreement signed 30 June 2009 by DCLNY, Dexia and FSAM;

1.2 *Dexia FP Guarantee Reimbursement* agreement signed 30 June 2009 by Dexia, DCL, FSAM and other GIC Business Entities;

1.3 *Dexia Non-Guaranteed Put agreement* signed 30 June 2009 by DCLNY, Dexia and FSAM;

1.4 *Administrative Services Agreement* signed 30 June 2009 by Dexia, DCL, AGM, DFPS, FSAM and other GIC Business Entities;

1.5 *Third Amended and Restated Intercompany* agreement signed on 20 February 2013 (effective 27 December 2012) by DSA, DCLNY and Dexia Holdings Inc.

(1) Detailed information on the guarantees has been published in Dexia annual reports since 2009 (the annual reports can be viewed on Dexia's website: www.dexia.com) and the main provisions of the guarantees are described in the 2011 annual report (page 165).

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 fiscal period closed on 31 December 2014.

Despite the transposition of European directive (CRD IV) into French law by the ministerial decree of 3 November 2014 on internal audit in the financial services sector, payment services and investment services, the General Secretariat of the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) authorised establishments, in its letter of 8 December 2014 on the structure of the internal audit report, to produce their internal audit reports for the last time in accordance with the provisions of Regulation 97-02 of the Comité de la réglementation bancaire et financière (Articles 42. 43 and 43-1) which defines the missions, principles and systems of internal audit as well as the frame of reference published by the French Autorité des marchés financiers (AMF).

This report, established by the Chairman of the Board of Directors of Dexia Crédit Local, was prepared by the Financial Communications department, the Secretary General 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. Conditions for the preparation and organisation of the duties of the Board of Directors

In addition to the above-mentioned provisions, Dexia Crédit Local also refers to the provisions of its parent company (Dexia) in matters of corporate governance and with respect to the operation of the the Board of Directors.

1.1. The 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 and/or other duties.

On 1 March 2015, 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. Mr 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 Mr Karel De Boeck, who was appointed as Chief Executive Officer by the Board of Directors on 10 October 2012. Mr Karel De Boeck is assisted in his functions by two Executive Vice-Presidents, Messrs Claude Piret and Pierre Vergnes. 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 articles of association do not limit the powers of the Chief Executive Officer, who acts in accordance with all applicable laws and regulations, the company's articles of association 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 have the same powers as the Chief Executive Officer with regard to third parties.

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. It also has two "disinterested" directors within the meaning of French legislation. No non-voting members have been appointed. Consequently, on 1 March 2015, 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
- Michel Tison, disinterested director

Women currently make up 8% of the Board of Directors. In order to comply with the provisions of Article L. 225-17 of the French Commercial Code intended to ensure that boards are composed such as to ensure the balanced representation of men and women, the Board of Directors of Dexia Crédit Local approved, on the recommendation of the Appointment and Compensation Committee, an action plan to achieve the objective of 40% women on the Board of Directors by the end of the next shareholders’ meeting which is required to decide on the appointments as of 1 January 2017. To that end, each director will be interviewed individually by the Chairman in order to identify their willingness to continue as a director of the company. Moreover, the company may join associations focussing on the presence of women on boards of directors and participate in initiatives such as mandate exchanges and events organised by specialist associations.

In line with their obligations under CRD IV and its national transpositions, Dexia Crédit Local has implemented the procedures and processes required for checking the expertise and professional integrity of directors, senior executives and the heads of the independent control function. Fulfilment of these obligations involves several departments, with the Human Resources department in charge, on behalf of the Management Board or the Board of Directors, of the selection and recruitment process, the Compliance department in charge of checking the integrity of candidates, the absence of conflicts of interest by virtue of other functions or mandates, and the Secretary General in charge of relations with the regulatory and supervisory authorities. This verification, performed at the time of candidate recruitment, will be assessed annually.

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

These internal rules, which are available for viewing in the company’s registered office, notably remind members 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 Dexia share transactions by directors and officers 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 every quarter. In 2014, it met ten times. The attendance rate was 87%.

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 director appointments are made in compliance with the prevailing legislation and the company’s articles of association. 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 2014, in addition to issues related to company management and within its authority, the Board of Directors notably addressed the liquidity and capital situations of the company as well as the prudential risk assessment, the asset quality review and the stress test as part of the comprehensive assessment performed by the European Central Bank.

In 2014, the Board of Directors convened an ordinary shareholders’ meeting on 13 May 2014 which, notably, ratified the cooptation of new directors in order to harmonise the Boards of Directors of Dexia Crédit Local and Dexia, and a combined shareholders' meeting on 16 December 2014, which ratified the cooptation of Mr Tison as director and approved the decrease in the share capital at the recommendation of the Board of Directors on 13 November 2014.

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.

1.2. Specialist committees of the Board of Directors

In accordance with Article L.511-89 of the Monetary and Financial Code in effect since 1 January 2015, and Article L.823-19 of the French Commercial Code, credit institutions must put in place the following specialist committees:

- Risk Committee;
- Audit Committee;
- Compensation Committee and;
- Appointment Committee.

However, in order to ensure simplified and unified Group management, these four specialist committees were created within Dexia, the parent company, in accordance with the applicable legal provisions governing duties and composition.

The Dexia annual report should also be referred to for more detailed information about these specialist committees.

1.2.1. Audit Committee

The Audit Committee implemented at the Dexia Board of Directors level and with authority for Dexia Crédit Local met six times in 2014 and worked on the topics below in particular:

• Group financial statements;
• The Group's liquidity position;
• Risk position through the Quarterly Risk Report;
• The desensitisation of structured loans in France and changes in the institutional environment
• Permanent Control, Internal Audit and Compliance Department work;
• The separation of Dexia Crédit Local and Société de Financement Local (SFIL)
• Conclusions of the comprehensive assessment performed by the European Central Bank (ECB) and the implications for Dexia
• Implementation of the ECB's Single Supervisory Mechanism
• Situation in terms of litigations;
• Conclusions from missions by the banking supervisory authorities.

The individual attendance rate for directors at the Audit Committee meetings was 96% in 2014.

The Audit Committee is made up of four non-executive directors, including two independent directors, in accordance with Belgian law. The composition of the committee is as follows:

• Paul Bodart, independent director and chairman of the audit committee;
• Bart Bronselaer, independent director;
• Koen Van Loo;
• Thierry Francq.

The Dexia Board of Directors decided at its meeting on 12 March 2015, with immediate effect, subject to the supervisory authority's approval, to split the Audit Committee into an Audit Committee and a Risk Committee. In order to ensure simplified and unified Group management, the committee was created at parent company level and will be competent both for Dexia and its subsidiary Dexia Crédit Local.

1.2.2 Appointment and Compensation Committee

The Appointment and Compensation Committee created at the Dexia Board of Directors level and competent for Dexia Crédit Local, met four times in 2014 and dealt in particular with the following matters.

• Governance: composition of the Board of Directors, specialist committees and the Management Board of Dexia and Dexia Crédit Local;
• Information with respect to the ongoing social procedures as well as the strategy associated with the management of human resources to be developed in the company;
• Group compensation policy;
• Legislative developments regarding the obligations of good governance in France and Belgium (see the new Banking Law).

The committee has the required expertise in matters of compensation policy. The composition of the committee is as follows:

• Robert de Metz, independent director and chairman of the committee;
• Paul Bodart, independent director;
• Bart Bronselaer, independent director;
• Koen Van Loo;
• Thierry Francq.

As indicated above, the Dexia Board of Directors decided at its meeting on 12 March 2015, with immediate effect, subject to the supervisory authority's approval, to split the Appointment and Compensation Committee into an Appointment Committee and a Compensation Committee. In order to ensure simplified and unified Group management, the committees were created at parent company level and are competent both for Dexia and its subsidiary 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] Dexia 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 different control processes should be established to ensure notably:
• Compliance of transactions and internal procedures;
• The accuracy and reliability of accounting and financial information;
• The security of information systems;
• The 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.

(1) For Dexia Group as for Dexia Crédit Local Group, the "Group" concept used in this registration document covers both the parent company and the consolidated companies.

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 while ensuring effective management of all available resources.

The decisions taken by the Management Board for this 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 are implemented to ensure this goal, through constant collaboration by the entities, business lines and support entities which also measure these initiatives via 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 ensure that Dexia Crédit Local operates in 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 at the level expected.

It should be mentioned that this system, like any control system, cannot be considered an absolute guarantee that the company will achieve its objectives.

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 their superiors, in accordance with responsibilities that have been expressly delegated to them, procedures applicable to the activity they perform and with instructions provided to them;

• The second level of control is for specialist functions, independent of the activities controlled and reporting directly to the Management Board.

• The third level of control is performed by the Dexia Group internal audit support line, which is responsible for continuously ensuring efficient performance and the application of both levels of control defined above, within the parent company and all of its subsidiaries and branches.

c. Effectiveness of the internal control system

To make the internal control system more effective and efficient, the Dexia/Dexia Crédit Local Management Board decided on 5 August 2014 to create an internal control committee comprising the members of the Executive Committee, the General Auditor and the Head of Compliance and Permanent Control.

The creation of an internal cross-entity control committee was also decided. It consists of the managers of the internal control bodies of the bank's departments. It is responsible for the preparation and follow-up of the Dexia Group internal control committee, for sharing messages, for validating strategy and for taking decisions on issues of cross-entity internal control and governance and for defining the areas of competence of the control functions based on the approved map of risks.

The main duties of internal control committee are to:

• Identify the main risks for Dexia;

• Evaluating the operation of the internal control system on an ongoing basis, including quantitative analyses of the bank's main risks

• Monitoring the robustness of the internal control system;

• Ensuring that the various internal control functions use the same risk map and that the latter is updated on a regular basis;

• Reviewing the special reports issued in the event of unexpected losses or of incidents that reveal shortcomings in the system;

• Reporting to the Audit Committee on the main incidents occurring over the period and the measures put in place to mitigate risk.

d. Internal control functions

Based on the internal control architecture outlined above, 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 implemented 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 2.1.5 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 2.1.6 below.

Periodic control, or internal audit

This control function, carried out by the General Audit department of Dexia Crédit Local, in close cooperation with the Internal Audit support line of the Dexia Group, is responsible for monitoring performance and the 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 2.1.7 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. This is the case of the Internal Audit and Compliance charters implemented 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, he adjusts these requirements in relation to the internal and external developments observed.

To perform this assignment, the Chief Executive Officer was assisted, in 2014, by two 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.

The Chief Executive Officer of Dexia Crédit Local is the Chairman of Dexia’s Management Board. In coordination with the Executive Vice-Presidents, who are also members of Dexia’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 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 risk management for the entire scope of Dexia Crédit Local and to optimised internal control.

2.1.3. Risk management department

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 Risk activity line seeks to identify and manage risk. If necessary it proactively alerts the relevant committees and proposes corrective actions where applicable. In particular, the Risk activity line decides on the amount of impairments deemed necessary to cover the risks to which the Group is exposed.

The organisation of Dexia Crédit Local’s risk activity line is aligned with that of Dexia. Implementation of the company project initiated by the Group in 2013 resulted in significant developments for the Risk activity line, which now focuses on its control functions. The organisation and governance of the activity line therefore evolved considerably over 2014.

a. Role of the Management Board and the Transaction Committee

The Management Board is responsible for the various policies and directives framing the Group strategy, particularly with regard to risk. To facilitate Group operations, a system of delegation of Management Board powers has been put in place.

The Management Board delegates its decision-taking powers in relation to operations giving rise to credit risks to a Transaction Committee. This committee includes the heads of the Assets, Funding and Markets, Finance, Risk and Secretariat General, Legal and Compliance activity lines. It can decide to submit larger credit files or those presenting a risk level considered sensitive to the Management Board which remains the body taking the ultimate decision. For each file presented to the Transaction Committee, an independent analysis is performed, to reveal the main risk indicators, and a qualitative analysis of the transaction.

Some of the powers of the Transaction Committee are delegated to the Assets and the Risk activity lines depending on the nature of the portfolios or risks concerned.

The Risk activity line establishes risk policies and submits its recommendations to the Management Board and to the Transaction Committee. It deals with the monitoring and operational management of Group risks under the supervision of these two committees.

b. The Risk Management Executive Committee

The decision-taking body of the Risk activity line is its Executive Committee. This committee consists of the head of risks and the five heads of:

- The credit risk department,
- The market risk department,
- The operational risk department,
- The strategic risk and regulatory supervision department,
- The risk quantification and reporting department, combining all the support functions of the activity line.

It meets on a weekly basis to review risk management strategies and policies as well as the main internal reports prior to their dissemination outside the activity line. In addition, it is responsible for monitoring regulatory issues, validating collective provisioning methodologies and the general organisation of the activity line.

The organisation and operations of the activity line based on risk categories is detailed in point 2.3 below.

2.1.4. Control of subsidiaries and branches

Dexia Group uses 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. They use the services provided by Head Office departments to a greater or lesser degree depending on their size and have internal control systems in line with their size, activity and the specificities of their local markets.

The Risk Management and permanent control, compliance and 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.

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 to 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.

2.1.5. Permanent control

The permanent control system excluding compliance covers the first two levels of control presented in Section 2.1.1.b of this report. The system first relies on the implementation of controls designed, created and formalised under the direct, primary responsibility of the operational units involved and their managers (first-level permanent control). In other units, it also relies on agents dedicated exclusively to control tasks, independently of the operations execution units (second-level permanent control).

Since April 2014, the permanent control management system has been run by an expanded team reporting to the Dexia Crédit Local Head of Compliance and Permanent Control who has the authority to escalate problems to the Chairman of the Board of Directors. A unit dedicated to accounting control was recreated in the Finance support line. This unit includes the results of its work in the consolidated permanent control report which is presented by the management of permanent control and compliance to the Management Board every quarter and to the Audit Committee every six months.

Permanent control uses a control plan which covers the main processes of the operational and dedicated units at head office, the subsidiaries and the branches. The heads of the operating departments are responsible for the adaptation and smooth running of internal control procedures within their areas of activity, for analysing the risk on each transaction they initiate, and for verifying that their department's first-level internal control system is suited to the risks. 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.

The first-level controls to be included in the plan are proposed by decentralised correspondents within the operational or dedicated units of the departments, subsidiaries and branches. The first-level controls to be included in the plan are reviewed by the Compliance and Permanent Control department of Dexia Crédit Local which can, if required, play a prescriptive role. The Compliance and Permanent Control department also identifies second-level controls which it then implements. Some second-level permanent controls are implemented by other dedicated units like the accounting control unit which reports to the Finance support line or the credit model control unit which reports to the Risk support line.

Review of the control plan is done in accordance with the results of the RCSA and the events compiled by the Operational Risks department, as well as with the reports from Internal Audit, the statutory auditors and the regulators. After review, the plan is approved by the Management Board.

The Compliance and Permanent Control department ensures that the permanent control plan is correctly implemented by reviewing the proper implementation of the controls and by carrying out a critical analysis of the results with respect to the risks identified. The Compliance and Permanent Control department can request an explanation for all malfunctions observed.

The permanent control system is coordinated with the other internal control activities. It uses a risk tool and standards and processes common to the entire Group. The Compliance and Permanent Control department of Dexia Crédit Local assists the dedicated committees of the units responsible for validating the valuation models and for compliance with internal rating systems. An internal control committee at Management Board level provides a consolidated view of the work of internal audit, compliance, the operational risk department and information systems security.

2.1.6. Compliance

The compliance function is independent. It carries out its activities at Dexia without any influence, interference or restrictions likely to affect its independence, its integrity, its impartiality or its objectivity.

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. The compliance function is organised as a support line, from the Dexia Group holding company to the subsidiaries and branches of Dexia Crédit Local.

At Dexia Crédit Local, the Chief Compliance Officer reports directly to the Secretary General. Escalation rights ensure that the Group Chief Compliance Officer is able to report any significant incidents directly to the Chairman of the Board of Directors or to the Audit Committee members. The Chief Compliance Officer is the designated compliance officer with for the Prudential Supervision and Resolution Authority. He also serves as anti-money laundering (Tracfin) correspondent, as part of the obligation banks have to fight 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.

The Compliance department contributes to the Group's strict observance of all legal and regulatory obligations. The role and relevant fields of the compliance function, as well as the governance principles underlying the approach adopted by Dexia and Dexia Crédit Local with regard to compliance, are included in the compliance charter, which was approved and entered into force in 2009 and was updated in 2014.

Compliance has adapted, in its organisation and its mode of intervention, to the Dexia Group's new scope, in terms of geographic presence and activity. The work force has been adjusted accordingly. The compliance functions of Dexia and Dexia Crédit Local have been merged. Moreover, the Permanent Control function began reporting to the Compliance department in 2014.

Concrete actions have been put in place to improve supervision of the network of subsidiaries and branches. The governance of the support line was revised: the Group's cross-entity compliance committee was replaced with regular meetings between the Dexia Crédit Local Head of Compliance and the compliance representatives of each of the subsidiaries and branches. The principles of organisation have been maintained with regular periodic reporting to the parent company, a procedure for reporting incidents if necessary and the transposition of the guidelines, policies and procedures in each subsidiary and branch.

The mapping of non-compliance risks was updated at the beginning of 2014. It measures the net risk (measured by the probability of the occurrence of a risk and its potential impact taking into account the existing internal audit environment) for each of the risks relating to the fields of compliance. This latter mapping exercise shows the level of residual compliance risk is low overall and falling with the reductions in scope and activity. The results of mapping and the associated action plans were presented to the governance bodies of the various entities.

This mapping ensured the application of policies, guidelines and procedures, the tracing of malfunctions, if required, and the implementation of corrective measures to enable better oversight of the support line.

Several actions have been taken, on the one hand, to ensure the implementation of measures intended to protect information within the context of the various projects for disposals or restructuring and, on the other hand, to strengthen the protection of personal data (notably for the treatment of data violations) and the protection of clients.

The rules concerning the prevention of insider trading in Dexia financial instruments define the statuses attributed to staff members according to the access to inside/sensitive information which they have, or are liable to have, through the performance of their tasks, and set the restrictions/obligations associated with each status. These obligations were recalled on several occasions during the Group restructuring operations.

Training sessions were organised on compliance in all of the entities, including training on the code of professional ethics, in order to recall the key compliance principles, as well as on the prevention and the fight against money laundering and the financing of terrorism.

Compliance has also supported work by the operating departments in connection with moves to ensure compliance with FATCA regulations, on the one hand, and on the other, with EMIR regulations and Title VII of the Dodd Frank Act.

2.1.7. Periodic control

The Dexia Group's Internal Audit support line consists of Internal Audit and Inspection. At 31 December 2014, it employed 32 people.

a. Internal Audit

Role

Internal Audit is an independent and objective activity giving the Board of Directors and the Management Board of Dexia Group assurances concerning the quality and effectiveness of its internal control system, risk management and governance systems and procedures, thereby contributing to the protection of the Group's interests and reputation.

Internal Audit considers all the objectives of the organisation, analyses the risks associated with those objectives and periodically assesses the robustness of the controls in place to manage those risks. Internal audit then provides management with an assessment of the residual risks so that management can validate the appropriateness for the global risk profile desired for the Dexia Group. Lastly, Internal Audit proposes actions to management to strengthen the effectiveness of controls.

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

In accordance with international standards, a Dexia Group internal audit charter lays out the fundamental principles governing the internal audit function, describing its aims, role, responsibilities and operating procedures. The charter was updated in June 2014 to take account of Dexia Group's new configuration.

So that each Dexia Group 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 the Dexia 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 Dexia Management Board, within the framework approved by the Board of Directors, through its Audit Committee. This framework takes account of the requirements, legislation and local regulations and instructions from the prudential control authorities.

The independence and effectiveness of the audit function are guaranteed by application of the following principles:

- Having each internal audit department report directly to the highest level of authority within the entity for which it is responsible;
- The absence of involvement in the organisation and operational management of Group entities. The Group's Management Boards may exceptionally call on Internal Audit for opinions, advice or assistance. The rules relating to those duties are defined in paragraph 9 of the audit charter.
- 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 information in all Group entities. Any breach of these principles is liable to be reported to the Management Board and, if relevant, the Audit Committee;
- 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 receive ongoing training to ensure their mastery of rapidly changing 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 ethics 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 judgement;
- Objectivity: auditors must show the highest degree of professional objectivity in collecting, assessing and communicating information relating to the activity or process examined. Internal auditors fairly assess all the relevant elements and are not influenced in their judgement by their own interests or those of others.
- Confidentiality: internal auditors have a duty of professional secrecy, they respect the value and ownership of the information they receive and only disclose this information with the required authorisations, unless a legal or professional obligation forces them to do so.
- Competence: internal auditors use and apply the knowledge, know-how and experience required for the performance of their tasks.

Scope of 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 Audit's scope, given that operational services are responsible for organising the conditions for potential 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, Dexia Group's representative on the Board of Directors is responsible for learning about the state of the internal control mechanism and, if necessary, alerting the Management Board and the audit department of the entity which holds that interest.

Organisation and management

Principles

The Dexia Group internal audit function operates as an integrated support line consisting of the Audit department of Dexia/Dexia Crédit Local and the Audit departments of the subsidiaries and branches.

The support line is headed by the General Auditor of Dexia, who is also the General Auditor of Dexia Crédit Local, who reports to the Chief Executive Officer of Dexia (also Chief Executive Officer of Dexia Crédit Local). The General Auditor ensures adequate cover for risks over the entire Dexia scope. He monitors the supervision bodies in the entities and their subsidiaries and branches, as well as all the tasks performed by local banking supervisory authorities. The General Auditor periodically reports to general management and the Audit Committee, on the tasks, powers and responsibilities of Internal Audit, the degree of implementation of the audit plan and the assessment of the internal audit environment.

The audit departments of the subsidiaries/branches are under the responsibility of a General Auditor or a head of internal audit. The General Auditors of Group subsidiaries report to the General Auditor of Dexia/Dexia Crédit Local. The General Auditor of Dexia/Dexia Crédit Local is responsible, in particular, and in association with the Chief Executive Officer of the entity concerned, for their appointment, setting their targets and their annual assessment. The auditor recruitment plans and the establishment of the budget for the audit departments of the main entities are also examined jointly. The heads of the internal audit teams of branches report to the General Auditor of Dexia/Dexia Crédit Local.

Each audit department is responsible for performing their task to the Chairman of the Management Board, to the extent that local rules permit, and to the Board of Directors of that entity, possibly assisted by 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. He receives the agenda and files prepared for these meetings, as well as the minutes.

Each General 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. The General Auditor of a Group entity also has direct access to the General Auditor of Dexia/Dexia Crédit Local.

The Chairman of the Board of Directors of each entity may delegate certain tasks. Tasks performed within this framework are the subject of a report to the Audit Committee like other tasks performed by Audit.

Organisation

When a Dexia Group entity exercises control over a subsidiary or, if there is no such control, when the supervisory authorities expressly so request, then an audit function is established in that subsidiary. If the creation of an audit function is not considered relevant, the parent company will perform the local audit function and, if necessary, a service level agreement (SLA) is signed with the parent company.

Management

In order to manage the support line, the Audit Department of Dexia/Dexia Crédit Local ensures the appropriateness of the organisation of the internal audit in place in the Dexia Group as a whole and the quality of its operation.

The Audit Department of Dexia/Dexia Crédit Local is responsible for:
- The Audit strategy and its proper implementation in all Dexia Group audit departments;
- The definition and application of a common methodology for analysing risks, performing tasks and monitoring recommendations made;
- The optimum allocation of competences within the function and determining the level of training required of auditors throughout the Group;
- The coordination and assessment of training programmes;
- The attribution and monitoring of the operating budget of each local audit department.

Relations with the supervisory authorities and legal auditors

Internal Audit maintains a 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.

General overview of activities in 2014

In 2014, Internal Audit's assignments covered most of the Group’s major support lines: general audit of the "Assets" support line, audit of "Long-Term Funding" activities and of macro hedging book management, audit of the model quality control team, audit of payment methods management and audit of the "Fermat" risk management application. An audit of the Compliance function was also done. The Group's Finance support line was not specifically audited in 2014 given the greater controls implemented by the banking supervisory authorities within the context of the comprehensive assessment by the European Central Bank. The Dexia Crédit Local teams also assisted with the audits carried out in the Group's various subsidiaries and branches.

Contacts with banking supervisory authorities were particularly intense in 2014 and accounted for a significant share of the Internal Audit team's time. During its assignments, 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 recommendations from banking supervisory authorities and then monitoring both these action plans and those developed in response to its own recommendations.

b. Inspection Unit

Role

The inspection unit's role 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.

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 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 head of Internal Audit and Inspection who in turn reports to the General Auditor. If necessary, the function is performed working closely with the head of Internal Audit for 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.

General overview of activities in 2014

In accordance with the principles set out in the charter, the tasks performed by Inspection in 2014 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 judicial authority. The unit's work related in particular to the handling of external fraud described as "Fraude au Président", giving rise in particular to the implementation of staff information and awareness campaigns.

2.1.8. The Dexia Group

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

The Dexia Management Board is responsible for the oversight and effective management of the Dexia Group and coordinating and monitoring the decisions made by the Board of Directors. The members of the Management Board of Dexia 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 and its subsidiary Dexia Crédit Local have implemented a unified governance structure since 2013 which is adapted to the objectives set by the European Commission. While the legal structures remain in place for Dexia and Dexia Crédit Local, the Group's management has been unified and streamlined, with a common steering framework for the two main entities.

The Dexia Management Board consists of:

- Karel De Boeck, Chief Executive Officer and Chairman of the Management Board
- Pierre Vergnes, Chief Financial Officer
- Claude Piret, in charge of Assets

To support the Management Board, an Executive Committee was created to ensure the operational management of the Group. It consists of the members of the Management Board and of:

- Johan Bohets, in charge of the General Secretary, Legal and Compliance support line;
- Benoît Debroise, in charge of Funding and Markets.
- Marc Brugière, Chief Risk Officer;

The Management Board of Dexia Crédit Local consists of the members of the Dexia Executive Committee, that is:

- Karel De Boeck, Chairman of the Management Board/Chief Executive Officer
- Pierre Vergnes, Chief Financial Officer/Executive Vice-President
- Claude Piret, Head of Assets/Executive Vice-President
- Benoît Debroise, in charge of Funding and Markets.
- Marc Brugière, Chief Risk Officer;
- Johan Bohets, in charge of the General Secretary, Legal and Compliance support line.

2.2. Preparation and processing of accounting and financial information

2.2.1. The financial statements

The main objective 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. It reports to the Chief Financial Officer of the company. It is part of the Financial Control department which also includes Accounting Standards, Taxes, Group Regulatory Reporting and Consolidation and Management Control.

The Accounting department is responsible for the preparation of basic financial data and the corporate financial statements of Dexia Crédit Local, as well as those of any subsidiaries that do not have their own accounting department.

As part of the preparation of statutory financial statements, the Accounting department also analyses and controls the accounting data produced by the bank's French and foreign branches. In cooperation with the Consolidation and Management Control department, 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 provided with 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 to ensure that its specific needs are taken into account.

Preparation of the financial statements

For preparation of the annual financial statements, data is largely automatically posted to Dexia Crédit Local's accounting system by the upstream management systems used to manage transactions with customers and financial market counterparties as well as general operating expenses. When a transaction is recorded in any of these management systems, automated account mappings generate accounting entries automatically. These entries feed into the financial statements using a single accounting system that incorporates two sets of standards (French GAAP and EU IFRS [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 create the statutory financial statements of Dexia Crédit Local prepared under French GAAP and the company's contribution to the consolidated financial statements prepared under EU IFRS. The same is true of all subsidiaries whose accounting is performed at the Head Office. The Accounting department uses these financial statements, supplemented in some cases by data provided by the management systems, to establish the tables for the notes that form an integral part of the annual financial statements. The Accounting department then performs cross-checks between the summary reports and the notes to the financial statements. Throughout the entire process, reviews and tests of reasonableness and of compliance with the established procedures are conducted in accordance with the reporting authorities that have been established.

The same work is performed in each of the entities that make up the Dexia Crédit Local Group, although the degree of complexity may vary with the size of these entities and the activities in which they engage.

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 entities may call on the Consolidation and Management Control department. The latter, working with the Accounting Standards department, will provide them with an appropriate answer.

Using their statutory 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 has been reinforced by the implementation of an accounting permanent control unit whose mission and scope were defined in 2014, and which will ensure the proper documentation and justification of existing controls and complement the existing system, if necessary.

Approval of the financial statements

Once the annual and consolidated financial statements have been finalised, they are presented 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 signs off the annual and 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 by Article 212-13 of the General Regulations of the French Financial Markets Authority. 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 Communication departments 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 external 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 accounting financial 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 by the Consolidation and Management Control department.

These indicators are compiled using information collected from the local information systems and the international entities. They are summarised on a monthly basis in a report for the Management Board of Dexia/Dexia Crédit Local.

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.

The system is managed, tracked and monitored by the Consolidation and Management Control department which provides the entities with secure standardised collection tools to ensure that the information reporting mechanism is reliable and optimised. Lastly, it compiles all of the data collected.

The information compilation process is done at the same time as the consolidation managed by the Accounting department. At each stage of the preparation of the consolidated data, the Planning and Financial Control and the Accounting departments have implemented consistency controls based on the reconciliation of the analytical 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. Risk Management

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

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 Management Board 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.

Dexia and Dexia Crédit Local pay special attention to tracking legal risks.

In addition to the general principles presented in point 2.1.3, 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 monitoring

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

The Credit Risk department defines the Group's credit risk policy, which encompasses supervision of the processes for rating counterparties, analysing credit files and monitoring exposures within the Group. It also determines the impairments and collective provisions presented quarterly within the accounts coordination committee. Along with the Management Board and the Transaction Committee, several committees, which meet quarterly, supervise the handling of 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;
- The Rating Committee ensures that internal rating processes are aligned with the established principles and that those processes are consistent across the various entities.

2.3.2. Market risk monitoring

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 the Dexia Group prepares its financial statements.

The market risk department is responsible for supervising the market risk under the aegis of the Management Board and specialist risk committees. It identifies, analyses and monitors risks and results (including financial instrument valuations) associated with market activities.

The Risk Management department consists of both central and local teams. The central teams define Group-wide methods for calculating and measuring risks 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, on the basis of reports produced by the Product Control department, recently created within the Finance activity line. 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 teams.

Market risk policy and management are in the hands of the Management Board and the Risk Management Executive Committee. To facilitate operational management of the Group, a system of delegated authority has been put in place:

• The Market Risk Committee is responsible for market risk governance and standards. It defines the risk limits that form the general framework for the Group's risk policy and approves hedge transactions by delegation from the Management Board. It meets on a monthly basis.
• The Valuation and Collateral Monitoring Committee meets quarterly to analyse indicators relating to collateral management and to monitor the valuation of structured products.

2.3.3. Transformation risk monitoring

Monitoring transformation risk involves monitoring the risk of loss associated with the transformation of the banking portfolio as well as liquidity risk.

Transformation risk arises when assets are refinanced by resources presenting a different maturity, indexation or currency. It includes structural risks associated with the financing of holdings with equity in foreign currencies.

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 Group's environment, on the basis of a range of stress scenarios.

Within the Risk activity line, a dedicated ALM Risk team is in charge of defining the risk framework within which management may be placed in the hands of the Financial Strategy department within the Finance activity line, of validating the models used to actually manage risk, and of monitoring exposures and checking compliance with Group standards. ALM Risk also defines the stress assumptions 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 regulatory framework in force.

Asset and liability management is supervised by the Dexia Management Board, which meets on a quarterly basis to determine the global risk framework, set limits, guarantee the consistency of strategy and delegate operational implementation to local ALM committees.

The Management Board approves asset and liability management transactions, centralises and coordinates the decision-taking process concerning liquidity matters. It is periodically informed of the Group's liquidity position and its evolution and its cover by short, medium and long-term resources. It ensures that liquidity targets are met and contributes to elaborating strategies for funding and asset deleveraging.

In the Group's subsidiaries and branches, local committees manage specific balance sheet risks within the framework defined by the Group's Management Board, under the latter's responsibility.

2.3.4. Monitoring of Operational risk and IT systems security

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.

Operational risk, activity continuity and IT systems security management is coordinated by a central team within the Risk activity line supported by a network of correspondents within the Group's various departments as well as all within subsidiaries and branches. Within each activity domain, correspondents coordinate data collection and assess risks. With the support of the operational risk management function, they ensure good continuity management.

The Management Board regularly monitors the evolution of the risk profile of the various Group activities and delegates the operational management of risk monitoring to the operational risk committee. Meeting quarterly, this committee examines the main risks identified and decides on the corrective actions to be taken. It validates measurement, prevention or improvement proposals in relation to the various elements of the mechanism.

The operational risk committee relies on committees dedicated to activity continuity and IT systems security, meeting every two months. They examine and decide on actions to be taken to guarantee activity continuity and the implementation of a policy for IT systems security.

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 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.

Legal risk monitoring

The General Secretariat 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 revised orderly resolution plan, it has been decided to integrate the organisational structure of the General Secretariat by pooling the teams of Dexia Crédit Local and Dexia 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 the relevant and regular reporting of information.

2.4. Control and monitoring of internal controls

2.4.1. The 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. They approve all recommendations and action plans. The General 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 Autorité de Contrôle Prudentiel et de Résolution (ACPR) and the Autorité des marchés financiers (AMF), as part of their inspection duties, also make recommendations in their reviews 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. The Audit Committee and the Board of Directors

During the 2014 fiscal period, the Audit Committee implemented at Dexia level was delegated to assist the Board of Directors in carrying out its oversight of the management of Dexia Crédit Local. The Audit Committee focuses specifically on those procedures covering the preparation of the financial statements and monitoring of risk, and is also responsible for managing relationships with the Statutory Auditors.

In accordance with the recommendations of the AMF, as part of its responsibilities, the Audit Committee:

- Analyses financial information, accounting procedures and compliance with legal, regulatory and statutory requirements;
- Examines, prior to their approval by the board and their publication, the 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 the audit plan for the coming year, and of any changes that may be made during the year;
- Ensures the adequacy of the resources at the disposal of the Internal Audit department;
- Is informed of the work performed by the Internal Audit and Bank Inspection departments through internal control reports, audit plan progress reports and recommendation monitoring reports;
- Is consulted on all audit-related regulations in effect within Dexia Crédit Local;
- Reviews the situation as regards compliance, and is consulted on the rules relating to the integrity and professional ethics policy in force, particularly in terms of protecting the image of the bank and the Group;
- Is informed of permanent control work (excluding compliance);
- Makes recommendations concerning the 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 General 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 additional assignments. The Committee can request any information that it may deem useful.

In accordance with the decree of 3 November 2014 on internal control and the creation of a risk committee, the audit committee required by the French Commercial Code, is focused on tracking the financial information creation process, the legal control of accounts and the independence of the Statutory Auditors. Going forward, the risk committee created in the Dexia Board of Directors and competent for Dexia Crédit Local will advise the Board of Directors on the overall strategy and risk appetite, formerly the responsibility of the Audit Committee.

The Chairman of the Board of Directors of Dexia Crédit Local is copied on the Internal Audit department's business review, and has access to all audit reports. He may regularly query Dexia Crédit Local's Chief Executive Officer or Executive Vice-Presidents about internal control issues. Lastly, he has direct access to the General Auditor and may request audit assignments if he feels this is appropriate.

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 Credit Local

Financial year ended 31 December 2014

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 31 December 2014.

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, 31 March 2015

French Original signed by the Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Franck BOYER	Claire GUEYDAN-BRUN	Charlotte VANDEPUTTE	Pascal COLIN

Statutory Auditors' special report on regulated agreements and commitments

Shareholders' meeting held to approve the financial statements for the year ended 31 December 2014

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 information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (Code de Commerce), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.
Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements previously approved by the shareholders' meeting, if any.
We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorised during the year

Pursuant to Article L.225-40 of the French Commercial Code, the following agreements and commitments, previously authorised by your Board of Directors, were brought to our attention.

EUR 100 million subordinated loan agreement

Persons concerned
Mr. Claude Piret, director of both Dexia Crédit Local (hereafter "DCL") and Dexia Sabadell.

Nature and purpose
DCL granted a deeply subordinated loan to Dexia Sabadell for an amount of EUR 100 million.

This loan agreement, which seeks to strengthen Dexia Sabadell's own funds, was necessary due to the legal provisions applicable to Dexia Sabadell and the remediation measures which need to be taken.

Terms and conditions
Amount: EUR 100 million
Date of signature: 30 May 2014
Rate: fixed rate of 3.6% + floating rate (capped at 7.4%) based on Dexia Sabadell net profits
Maturity: 6 June 2022
This agreement was authorised by your Board of Directors on 13 May 2014.

DCL recognised income of EUR 2.1 million in 2014 in respect of the implementation of the subordinated loan.

Two subordinated loan agreements of EUR 150 million each

Persons concerned
Mr Claude Piret, director of both Dexia Crédit Local and Dexia Sabadell.

Nature and purpose
DCL decided to grant Dexia Sabadell two deeply subordinated loans for a total amount of EUR 300 million.

These two loan agreements, which seek to strengthen Dexia Sabadell's own funds, were necessary due to the legal provisions applicable to Dexia Sabadell and the remediation measures which need to be taken.

Terms and conditions
Amount: EUR 150 million for each of the two loan agreements
Date of signature: 5 December 2014
Rate: fixed rate of 3.0% + floating rate (capped at 8%) based on Dexia Sabadell net profits

Maturity
Agreement 1: 31 July 2015, with an extension option to 5 June 2022 if the minimum level of own funds imposed by Spanish legislation is not met as of 30 June 2015.
Agreement 2: 5 June 2022.

These agreements were authorised by your Board of Directors on 13 November 2014.

DCL recognised interest income of EUR 0.4 million in 2014 in respect of these two loan agreements.

Agreements and commitments not previously authorised

Pursuant to Articles L. 225-42 and L. 823-12 of the French Commercial Code, we hereby inform you that the following agreements and commitments were not previously authorised by the Board of Directors.

It is our role to communicate to you the circumstances under which the authorisation procedure was not followed.

Intra-group netting agreement

Persons concerned

Mr. Jean-Luc Dehaene, director of DCL, DSA, BIL and DBB, his term of office with DCL having terminated on 29 June 2012, Mr. Pierre Mariani, director of DCL, DSA, BIL and DBB, his term of office with DCL having terminated on 2 August 2012, Mr. Pascal Poupelle, director of DCL and Crediop, his term of office with DCL having terminated on 31 December 2010 and Mrs. Francine Swiggers, director of DCL, DSA and DBB, her term of office with DCL having terminated on 10 November 2012.

Nature and purpose

The Dexia Group Master Netting Agreement (hereafter "DGMNA") was signed on 2 November 2009 between Dexia SA/NV, Banque Internationale à Luxembourg S.A. (formerly Dexia Banque Internationale à Luxembourg S.A.), Belfius Banque SA/NV (formerly Dexia Banque Belgique SA/NV), Dexia Crédit Local and Dexia Crediop SpA.

The DGMNA enables the parties to the agreement to net amounts due under transactions governed by different agreements, such as in particular the ISDA Master Agreements or other financial instrument framework agreements (hereafter the "Principal Agreements"). The DGMNA primarily seeks to enable netting in the event of default by one of the parties and therefore only enables netting when the transactions governed by the Principal Agreements are accelerated, terminated, liquidated or cancelled (hereafter "Close Out").

Terms and conditions:

When one of the parties is in default as defined by the DGMNA, each of the other parties not in default may choose to Close Out all the transactions governed by the Principal Agreements to which said non-defaulting party is party.

Banque Internationale à Luxembourg is no longer a party to the DGMNA since 29 January 2014.

This agreement was not authorised in advance by the Board of Directors and was not presented to a previous shareholders' meeting for approval.

As a precaution and following the reform introduced by Order no. 2014-863 of 31 July 2014, it was decided to present this agreement for approval at the next shareholders' meeting.

This agreement had no impact in 2014.

Agreements and commitments previously approved by Shareholders' Meeting

Agreements and commitments authorised in previous years and having continuing effect during the year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by shareholders' meetings of prior years, have remained in force during the year.

Loan agreement between Dexia Crédit Local and Dexia SA and comfort letter provided by Dexia SA to Dexia Crédit Local

For the purpose of financing the losses associated with the sale of assets held in the company's Financial Products portfolio, your Board of Directors was asked to authorise 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.

This agreement was authorised by your Board of Directors on 4 August 2011.

In 2014, DCL recorded an interest expense of EUR 4.7 million in respect of the borrowings and interest income of EUR 0.3 million in respect of the loans.

State guarantee agreement

On 28 December 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 14 December 2012. This approval resulted in the implementation of the arrangements for the tripartite guarantee granted by the Belgian, French and Luxembourg States, capped at EUR 85 billion, based on the following allocation key: 51.41% for Belgium, 45.59% for France and 3% for Luxembourg.

The guarantee fee on the outstanding debt issued will be calculated based on an annual rate of 5 basis points compared with 90 basis points previously under the temporary guarantee.

In 2014, the cost of the guarantee for DCL amounted to EUR 54 million.

This agreement was authorised by your Board of Directors on 19 December 2012.

Comfort letter granted by Dexia Crédit Local to Dexia Kommunalbank Deutschland

A comfort letter was granted by Dexia Crédit Local to its subsidiary Dexia Kommunalbank Deutschland AG, under which Dexia Crédit Local undertakes to ensure that Dexia Kommunalbank Deutschland always complies with its financial and other obligations towards the German regulator.

The agreement was authorised by your Board of Directors on 24 February 2011. This agreement had no impact in 2014.

Guarantee agreement between Dexia Crédit Local and Dexia Crediop

As part of the support for its subsidiary Dexia Crediop, Dexia Crédit Local granted a first demand guarantee for EUR 75 million, expiring in 2023 at the earliest.

In accordance with the guarantee eligibility conditions set by the Bank of Italy, Dexia Crédit Local's remuneration was set at 0.8%.

This agreement was approved by the shareholders' meeting of 7 May 2013, based on the Statutory Auditors' special report of 2 April 2013.

As at 31 December 2012, following the decrease in interest rates, exposure to the Terna counterparty mechanically increased, requiring an increase in the guarantee granted by DCL in order to comply with the large exposures limit set by the Italian regulator. An amendment to the initial agreement increasing the amount of the commitment to EUR 100 million was therefore signed, without the prior authorisation of the Board of Directors, in order to react as quickly as possible to ensure compliance with regulatory ratios at the year end. This amendment was approved by your shareholders' meeting of 13 May 2014.

This guarantee is drawn in full.

DCL recorded commission income of EUR 0.8 million in 2014.

Provision of collateral in connection with the sale of DenizBank by DSA

In connection with the sale of DenizBank completed on 28 September 2012, on the same date Dexia Crédit Local 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 that may be called is equal to 15% of the sale price, corresponding to the principal and accrued interest on the subordinated borrowings.

This agreement was authorised by your Board of Directors on 24 September 2012. As the guarantee has not been called, this agreement had no impact in 2014.

Loan agreement between Dexia Crédit Local and Dexia Holdings Inc.

On 14 June 2011, Dexia Crédit Local granted Dexia Holdings Inc. (hereafter "DHI") an additional five-year, USD 500 million credit facility, at a market rate of interest but with interest payable only in the event of Dexia Holdings Inc. generating profits.

Bullet repayment of this loan is scheduled for 15 June 2016. Interest is payable at the rate of USD LIBOR + 2.50% per annum, calculated on the basis of 360 days. In the event of default, 2% additional interest would be applied to the unpaid amount.

This agreement was authorised by your Board of Directors on 12 May 2011. DCL received income of USD 2.3 million in 2014 in respect of these loans. At 31 December 2014, DCL's loan to its subsidiary amounted to USD 250 million.

Agreement allowing Dexia Crédit Local to use subsidiaries' receivables as collateral

In order to reduce Dexia Crédit Local's financing needs, it was decided to mobilise the assets of Dexia Crédit Local and its subsidiaries that are not currently utilised, in secured funding arrangements, as collateral for financing or issues guaranteed by the States.

Dexia Crédit Local mobilised the subsidiaries' assets under market conditions throughout 2014.

- As at 31 December 2014, the assets concerned totalled EUR 21.5 billion and comprised:
- EUR 18.5 billion of DCL receivables;
- EUR 2.2 billion of Dexia Sabadell receivables;
- EUR 785 million of DCL leasing subsidiary receivables.

These transactions were authorised by your Board of Directors on 23 February 2012 and have not resulted in the signature of any formal agreements.

Agreement for the sale of SFIL shares

The agreement for the sale of SFIL shares by DCL to the French State, Caisse des Dépôts et Consignations and Banque Postale was signed on 23 January 2013 in the presence of Dexia Municipal Agency (hereafter "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.
This agreement was authorised by your Board of Directors on 15 January 2013 and had no impact in 2014.
DCL sold these shares for EUR 1 on 28 January 2013.

Agreement for the management of disputes relating to disputed loans

On 31 January 2013, DMA, DCL and SFIL signed an agreement for the management of disputes relating to disputed loans. The purpose of this agreement is to establish the procedures for managing all judicial (other than criminal) and administrative proceedings relating to loans recorded on DMA's balance sheet on the date of sale of SFIL shares until maturity of all such loans.

This agreement was authorised by your Board of Directors on 15 January 2013 and had no impact in 2014.

Tax group agreement

A tax group agreement came into effect on 1 January 2002 for a (renewable) period of five years. The head of the tax group is Dexia SA 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 agreement was authorised by your Supervisory Board on 19 November 2002 and was amended by the amendment of 22 December 2011, authorised by your Board of Directors on 22 December 2011 and by the amendment of 14 September 2012, authorised by your Board of Directors on 2 August 2012.

The tax group was still in effect in 2014.

Agreements and commitments authorised during the year

We were also informed of the implementation during the year of the following agreements and commitments approved by the shareholders' meetings of 13 May 2014 based on the Statutory Auditors' special report of 14 April 2014.

Guarantee granted by Dexia SA to Dexia Crédit Local ("DCL") pursuant to ongoing investigations in the United States *(Bid Rigging Investigation)*

Dexia SA gave an irrevocable commitment to DCL in respect of any damages, interest or costs that may be incurred by DCL in respect of ongoing investigations in the United States by the Antitrust division of the US Justice Department, the US tax authorities and the SEC (Securities and Exchange Commission) for non-compliance with laws and regulations concerning bids and the implementation of certain transactions with local authorities, including the marketing of guaranteed investment contracts, entered into with issuers of municipal bonds, up to the amount of the provision in the accounts of Dexia SA at the date of signature of the agreement.

The counter-guarantee is a direct, unconditional, irrevocable and primary obligation ("first demand guarantee") of Dexia and not a security ("cautionnement") within the meaning of Article 2011 et seq. of the Belgian Civil Code (Code civil).

This agreement was authorised by your Board of Directors on 13 March 2014 and had no impact in 2014.

Courbevoie and Neuilly-sur-Seine, 31 March 2015

The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Franck BOYER	Claire GUEYDAN-BRUN	Charlotte VANDEPUTTE	Pascal COLIN

Resolutions proposed at the shareholders' meeting of 19 May 2015

First resolution: approval of the annual financial statements

After the reading of the Board of Directors', of the Chairman of the Board of Directors' and of the statutory auditors' reports, the ordinary shareholders' meeting approved the annual financial statements closed on 31 December 2014, as they were presented to it, with all transactions referred to in the accounts or listed in the reports and showing income of EUR -747,087,790.87.

The ordinary shareholders' meeting approved the overall amounts of expenses and charges not deductible from profits subject to corporate tax (Article 39 of the General Tax Code) in the amount of EUR 50,809.96 which did not result in additional corporate tax given the loss for the 2014 period.

Second resolution: approval of the consolidated financial statements

After the reading of the Board of Directors, the Chairman of the Board of Directors and the statutory auditors' reports, the ordinary shareholders' meeting approved the consolidated financial statements closed on 31 December 2014, as they were presented to it, with all transactions referred to by the accounts or listed in the reports and showing a loss Group share of EUR -478,457,421.

Third resolution: approval of the regulated agreements and commitments

After the reading of the statutory auditors' special report on regulated agreements and commitments covered in Article L. 225-38 of the French Commercial Code, the ordinary shareholders' meeting approved, under the conditions of Article L. 225-40 of the Code, the regulated agreements and commitments listed in it.

Fourth resolution: discharge of the corporate officers

Following approval of the preceding resolutions, the ordinary shareholders' meeting gave full and unconditional discharge to the corporate officers for the accomplishment of their mandate for the fiscal period closed 31 December 2014.

Fifth resolution: discharge to the Chief Executive Officer and the Executive Vice-Presidents

Following approval of the preceding resolutions, the ordinary shareholders' meeting gave full and unconditional discharge to the Chief Executive Officer and the Executive Vice-Presidents for the accomplishment of their mandates for the fiscal period closed 31 December 2014.

Sixth resolution: allocation of income and loss

The ordinary shareholders' meeting agreed to allocate the entire loss for the period of EUR -747,087,790.87 to the balance carried forward.

Following this allocation, the balance carried forward was negative in the amount of EUR 877,831,710.14.

The shareholders' meeting noted, in accordance with Article 243a of the General Tax Code, that no dividends were distributed for the previous three periods.

Seventh resolution: certification of the accounts

In accordance with the provisions of Article L. 822-14 of the French Commercial Code, the ordinary shareholders' meeting recorded that the annual and consolidated financial statements closed on 31 December 2014 were certified by the Statutory Auditors:

- Mr Franck Boyer and Mrs Claire Gueydan-Brun, partners, representing the Mazars firm, on the one hand; and,
- Mr Pascal Colin and Mrs Charlotte Vandeputte, partners, representing Deloitte & Associés, on the other hand.

Eighth resolution: opinion on the compensation granted to the Chief Executive Officer and the Executive Vice-Presidents

The shareholders' meeting, consulted in application of the AFEP-MEDEF Code, issued a favourable opinion on the compensation due or granted to Mr Karel De Boeck for his mandate as director and chief executive officer, to Mr Claude Piret, for his mandate as director and executive vice-president and to Mr Pierre Vergnes for his mandate as director and executive vice-president as shown in the annual report, the registration document, under section "Compensation of the Chief Executive Officer and Executive Vice-Presidents" presented by the Board of Directors for the fiscal period closed 31 December 2014.

Ninth resolution: opinion on overall compensation

In application of Article L. 511-73 of the Monetary and Financial Code, the ordinary shareholders' meeting issued a favourable opinion on the overall compensation paid to the persons listed in Article L. 511-71 of the Code for the period closed 31 December 2014 in the amount of EUR 8,156,684 (fixed compensation and bonuses).

The envelope covered the compensation paid in 2014 to the executives of the company and other employees of the company and its (international) subsidiaries deemed, in accordance with the compensation policy applicable at Dexia Group overall, to have a significant impact on the Group's risk profile due to their position and/or their level of compensation.

The envelope included the compensation of the Chief Executive Officer and of the Executive Vice-President granted exclusively by Dexia for their mandate at the parent company.

Tenth resolution: renewal of director and chairman of the Board of Directors mandates

The shareholders' meeting renewed the director and chairman of the Board of Directors mandates of Mr Robert de Metz, in accordance with Article 10 of the company's articles of association.

Eleventh resolution: renewal of director and Chief Executive officer mandates

The shareholders' meeting renewed the director and Chief Executive Officer mandates of Mr Karel De Boeck, in accordance with Article 10 of the company's articles of association.

Twelfth resolution: renewal of director and Executive Vice-President mandates

The shareholders' meeting renewed the director and executive vice-president mandates of Mr Pierre Vergnes, in accordance with Article 10 of the company's articles of association.

Thirteenth resolution: renewal of director and executive vice-president mandates

The shareholders' meeting renewed the director and executive vice-president mandates of Mr Claude Piret, in accordance with Article 10 of the company's articles of association.

Fourteenth resolution: renewal of a director mandate

The shareholders' meeting renewed the director mandate of Mr Thierry Francq, in accordance with Article 10 of the company's articles of association.

Fifteenth resolution: renewal of a director mandate

The shareholders' meeting renewed the director mandate of Mrs Delphine d'Amarzit, in accordance with Article 10 of the company's articles of association.

Sixteenth resolution: renewal of a director mandate

The shareholders' meeting renewed the director mandate of Mr Koen Van Loo, in accordance with Article 10 of the company's articles of association.

Seventeenth resolution: renewal of a director mandate

The shareholders' meeting renewed the director mandate of Mr Michel Tison, in accordance with Article 10 of the company's articles of association.

Eighteenth resolution: renewal of a director mandate

The shareholders' meeting renewed the director mandate of Mr Patrick Bernasconi, in accordance with Article 10 of the company's articles of association.

Nineteenth resolution: powers

The shareholders' meeting grants all powers to the bearer of an original, copy or excerpt of these minutes to carry out all filing and publication formalities required by law.

Consolidated Financial Statements as at 31 December 2014

Consolidated balance sheet

ASSETS (in EUR million)		Note	31/12/2013	31/12/2014
I.	Cash and central banks	2.0	1,542	3,103
II.	Financial assets at fair value through profit or loss	2.1 & 4.1	18,347	24,214
III.	Hedging derivatives	4.1	5,945	8,374
IV.	Financial assets available for sale	2.2	29,224	26,526
V.	Interbank loans and advances	2.3	8,908	8,209
VI.	Customer loans and advances	2.4	128,552	134,886
VII.	Fair value revaluation of portfolio hedges		1,035	1,910
VIII.	Financial assets held to maturity	2.5	384	255
IX.	Current tax assets	2.6	17	29
X.	Deferred tax assets	2.6	42	41
XI.	Accruals and other assets	2.7	27,260	38,250
XII.	Non current assets held for sale	4.6	12	13
XV.	Tangible fixed assets	2.8	338	330
XVI.	Intangible assets	2.9	28	23
XVII.	Goodwill	2.10	0	0
TOTAL ASSETS			**221,634**	**246,163**

The notes on pages 94 to 176 are an integral part of these consolidated financial statements.

LIABILITIES (in EUR million)		Note	31/12/2013	31/12/2014
I.	Central banks	3.0	34,274	33,845
II.	Financial liabilities at fair value through profit or loss	3.1 & 4.1	18,839	25,731
III.	Hedging derivatives	4.1	22,265	33,832
IV.	Interbank borrowings and deposits	3.2	31,969	45,392
V.	Customer borrowings and deposits	3.3	8,590	7,958
VI.	Debt securities	3.4	96,368	89,518
VII.	Fair value revaluation of portfolio hedges		231	227
VIII.	Current tax liabilities	3.5	6	2
IX.	Deferred tax liabilities	3.5	40	63
X.	Accruals and other liabilities	3.6	5,697	7,150
XIII.	Provisions	3.7	173	257
XIV.	Subordinated debt	3.8	644	498
	Total liabilities		**219,096**	**244,473**
XV.	**Equity**	3.9	**2,538**	**1,690**
XVI.	Equity, Group share		2,130	1,329
XVII.	Capital stock and related reserves (1)		3,277	2,215
XVIII.	Consolidated reserves (1)		5,354	5,512
XIX.	Gains and losses directly recognised in equity		(5,597)	(5,920)
XX.	Net result of the period		(904)	(478)
XXI.	Minority interests		408	361
TOTAL LIABILITIES AND EQUITY			**221,634**	**246,163**

(1) Figures as at 31 December 2013 have been restated to disclose the legal reserve in "Capital stock and related reserves" and no longer in "Consolidated reserves".

The notes on pages 94 to 176 are an integral part of these consolidated financial statements.

Consolidated statement of income

(in EUR million)		Note	31/12/2013	31/12/2014
I.	Interest income	5.1	14,392	11,667
II.	Interest expense	5.1	(14,248)	(11,287)
III.	Commission income	5.2	55	19
IV.	Commission expense	5.2	(44)	(31)
V.	Net gains (losses) on financial instruments at fair value through profit or loss	5.3	(340)	(343)
VI.	Net gains (losses) on financial assets available for sale	5.4	44	59
VII.	Other income	5.5	38	24
VIII.	Other expenses	5.6	(117)	(142)
IX.	**NET BANKING INCOME**		**(220)**	**(34)**
X.	Operating expenses	5.7	(333)	(343)
XI.	Depreciation, amortisation and impairment of tangible fixed assets and intangible assets	5.8	(32)	(26)
XII.	**GROSS OPERATING INCOME**		**(585)**	**(403)**
XIII.	Cost of risk	5.9	(197)	(63)
XIV.	**OPERATING INCOME**		**(782)**	**(466)**
XVI.	Net gains (losses) on other assets	5.10	59	(1)
XVIII.	**NET RESULT BEFORE TAX**		**(723)**	**(467)**
XIX.	Income tax	5.11	(43)	(18)
XX.	Result from discontinued operations, net of tax	4.6	(143)	0
XXI.	**NET INCOME**		**(909)**	**(485)**
XXII.	Minority interests		(5)	(7)
XXIII.	**NET INCOME, GROUP SHARE**		**(904)**	**(478)**
	Earnings per share, Group share (in EUR)	5.12		
	Basic		(4.04)	(2.14)
	- from continuing operations		*(3.40)*	*(2.14)*
	- from discontinued operations		*(0.64)*	*0.00*
	Diluted		(4.04)	(2.14)
	- from continuing operations		*(3.40)*	*(2.14)*
	- from discontinued operations		*(0.64)*	*0.00*

The notes on pages 94 to 176 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in EUR million)	31/12/2013			31/12/2014		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
NET INCOME			**(909)**			**(485)**
Elements reclassified or likely to be subsequently reclassified in net income						
Cumulative translation adjustments	(23)		(23)	88		88
Revaluation of financial assets available for sale or reclassified in loans and advances	1,379	(17)	1,362	82	(14)	68
Revaluation of hedging derivatives	(60)	5	(55)	(511)	(1)	(512)
Other comprehensive income from disposal groups held for sale	211	(68)	143			
Elements 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)	(6)	(1)	(7)
TOTAL UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**1,501**	**(79)**	**1,422**	**(347)**	**(16)**	**(363)**
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY			**513**			**(848)**
of which, Group share			501			(801)
of which, Minority interests			12			(47)
NET RESULT AND UNREALISED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY FROM CONTINUING ACTIVITIES	**567**	**(54)**	**513**	**(814)**	**(34)**	**(848)**
of which, Group share			501			(801)
of which, Minority interests			12			(47)

The notes on pages 94 to 176 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in EUR million)	Capital stock and related reserves				Consolidated reserves	Gains and losses directly	
	Capital stock	Related reserves	Treasury shares	Total		Change in fair value of financial assets available for sale or reclassified as loans and advances, net of taxes	Change in fair value of cash flow hedges, net of taxes
AS AT 31 DECEMBER 2012	**1,286**	**1,991**	**0**	**3,277**	**7,264**	**(6,141)**	**(878)**
Movements during the period							
Appropriation of net income 2012					(2,040)		
Subtotal of shareholders' related movements					**(2,040)**		
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 or reclassified in loans and advances, through profit or loss						202	
Changes in actuarial gains and losses on defined benefit plans							
Subtotal of changes in gains and losses directly recognized in equity						**1,340**	**(52)**
Net income for the period							
Other variations [(1)]					130	145	
AS AT 31 DECEMBER 2013	**1,286**	**1,991**	**0**	**3,277**	**5,354**	**(4,656)**	**(930)**
Movements during the period							
Changes in capital [(2)]	(1,062)			(1,062)	1,062		
Appropriation of net income 2013					(904)		
Subtotal of shareholders' related movements	**(1,062)**			**(1,062)**	**158**		
Translation adjustments						(162)	(43)
Changes in fair value of financial assets available for sale, through equity						90	
Changes in fair value of derivatives through equity							(474)
Changes in fair value of financial assets available for sale or reclassified in loans and advances, through profit or loss						185	
Changes in actuarial gains and losses on defined benefit plans							
Subtotal of changes in gains and losses directly recognized in equity						**113**	**(517)**
Net income for the period							
AS AT 31 DECEMBER 2014	**224**	**1,991**	**0**	**2,215**	**5,512**	**(4,543)**	**(1,447)**

(1) The other variations are explained in note 3.9.c.

(2) In terms of deliberations as of 16 December 2014, the Combined Ordinary and Extraordinary General Meeting of Dexia Crédit Local acted a capital decrease for the amount of EUR 1 062 374 436 by reducing the par value of its shares.

The notes on pages 94 to 176 are an integral part of these consolidated financial statements..

recognised in equity			Net income, Group share	EQUITY, GROUP SHARE	Minority interests			EQUITY
Actuarial gains and losses on defined benefit plans	Translation adjustments	Total			Capital and reserves	Gains and losses directly recognised in equity	Total	
0	17	(7,002)	(2,040)	1,499	412	(15)	397	1,896
			2,040	0				0
			2,040	**0**				**0**
	(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	0
(1)	**(25)**	**1,262**		**1,262**		**19**	**19**	**1,281**
			(904)	(904)	(5)		(5)	(909)
(2)		143		273	(1)	(2)	(3)	270
(3)	**(8)**	**(5,597)**	**(904)**	**2,130**	**406**	**2**	**408**	**2,538**
				0				0
			904	0				0
			904	**0**				**0**
0	87	(118)		(118)		1	1	(117)
		90		90		(44)	(44)	46
		(474)		(474)		6	6	(468)
		185		185		(1)	(1)	184
(6)		(6)		(6)		(2)	(2)	(8)
(6)	**87**	**(323)**		**(323)**		**(40)**	**(40)**	**(363)**
			(478)	(478)	(7)		(7)	(485)
(9)	**79**	**(5,920)**	**(478)**	**1,329**	**399**	**(38)**	**361**	**1,690**

Consolidated cash flow statement

(in EUR million)	31/12/2013	31/12/2014
CASH FLOW FROM OPERATING ACTIVITIES		
Net income after income taxes	(909)	(485)
Adjustment for:		
- Depreciation , amortization and other impairment	44	27
- Impairment on bonds , equities, loans and other assets	74	(261)
- Net (gains) or losses on investments	(75)	3
- Charges for provisions	46	152
- Unrealised (gains) or losses	250	292
- Deferred taxes	(31)	8
Changes in operating assets and liabilities	(842)	2,673
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,443)**	**2,409**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(56)	(14)
Sale of fixed assets	27	1
Acquisitions of unconsolidated equity shares	(4)	(1)
Sales of unconsolidated equity shares	71	20
Sales of subsidiaries and of business units	(2,454)	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(2,416)**	**6**
CASH FLOW FROM FINANCING ACTIVITIES		
Reimbursement of subordinated debts	(51)	(134)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**(51)**	**(134)**
NET CASH PROVIDED	**(3,910)**	**2,281**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6 469**	**2,509**
Cash flow from operating activities	(1,443)	2,409
Cash flow from investing activities	(2,416)	6
Cash flow from financing activities	(51)	(134)
Effect of exchange rate changes and change in scope of consolidation on cash and cash equivalents	(50)	262
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,509**	**5,052**
ADDITIONAL INFORMATION		
Income tax paid	(55)	(46)
Dividends received	2	2
Interest received	15,011	11,963
Interest paid	(14,774)	(11,803)

The notes on pages 94 to 176 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 initial maturities of less than 90 days.

a. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Cash and central banks (note 2.0)	1,542	3,103
Interbank loans and advances (note 2.3)	967	1,949
TOTAL	**2,509**	**5,052**

b. Of which restricted cash

(in EUR million)	31/12/2013	31/12/2014
Mandatory reserves [1]	164	629
TOTAL	**164**	**629**

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

The notes on pages 94 to 176 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies and valuation methods, ownership interest in subsidiaries and other entities, significant events in 2014 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 12 March 2015.

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 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 2014, 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.

The consolidated financial statements of Dexia Crédit Local SA as at 31 December 2014 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed below were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

- The business plan is based on market environment observed at the end of September 2012. The underlying macroeconomic assumptions are revised semi-annually.

In particular, the review of the plan in 2014 incorporates lower interest rates and takes account of an updated funding plan based on current market conditions. The 2014 plan revision incorporates regulatory developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, and the impact of using an OIS curve for OTC derivatives valuation. The revised plan also takes into account Dexia and Dexia Crédit Local's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA). Finally it also reflects, the Dexia and Dexia Crédit Local's active balance sheet management, particularly the successful execution of the funding programme in 2014, resulting in a positive evolution of the net interest margin.

Using data as at 30 June 2014, the revised business plan was approved by the Dexia SA Board of Directors on 9 October 2014. While it contains adjustments to the plan originally validated, the resolution trajectory in the revised plan remains unchanged over the long term.

- The plan assumes maintaining various local banking licences. Dexia Crédit Local SA ratings are also assumed to remain at current levels.
- It relies, moreover, on a robust funding program based on Dexia Crédit Local's ability to issue debt guaranteed by the Belgium, France and Luxemburg and to raise secured funding.

In this context, Dexia Crédit Local's ability to tap markets at a lower cost and for longer maturities than forecast in the original plan, had a positive effect on the funding mix in 2014. The continued increase in secured funding and the success of short- and long-term guaranteed debt programmes enabled Dexia and Dexia Crédit Local to reduce reliance on central bank funding and establish temporary liquidity reserves in anticipation of significant maturities at the end of 2014 and the beginning of 2015.

Some uncertainties remain however over the resolution period, in the implementation of the business plan due to the potential impact of regulatory and accounting developments.

Moreover, the Dexia and Dexia Crédit Local's balance sheets still exhibit structural imbalances and the limited resources available since the beginning of their resolution to remedy this situation may not allow compliance with certain regulatory ratios during the resolution process. For instance, the Dexia Group orderly resolution crystallised a funding structure heavily dependent on market and central bank funding, since Dexia no longer has retail franchises and is unable to increase its deposit base. This will be reflected in the future level of the Liquidity Coverage Ratio (LCR).

The business plan remains exposed to the evolution of the macroeconomic environment. A 10 basis point decline in interest rates over the entire curve could result in an increase of EUR 1.1 billion in Dexia and Dexia Crédit Local's liquidity requirement over the next two years due to higher cash collateral(1) needs. Similarly, a less optimistic credit environment and/or the widening of credit spreads could also have a negative impact on the income statement and available liquidity reserves and may increase regulatory capital requirements.

Finally, if market demand for government-guaranteed debt decreases, Dexia Crédit Local may need to tap more costly funding sources which could have a negative impact on the profitability assumed in the original business plan. 2015 and 2016 may be challenging in light of a more volatile foreign exchange environment and very low interest rates.

The most recent update of the business plan reflects surplus liquidity over the life of the plan. However, at the end of 2014 and the beginning of 2015, Dexia and Dexia Crédit Local's surplus liquidity were reduced by additional cash collateral posting to market counterparties. This growing liquidity requirement was offset by sustained issuance of long-term government-guaranteed debt consisting of EUR 4 billion in benchmark transactions and EUR 2 billion in private placements year to date as at 10 February 2015. Dexia Crédit Local also continued to increase secured funding.

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.

1.1.1.2. Accounting estimates and judgements

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 judgement. 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.

(1) Deposits or financial instruments posted by Dexia and Dexia Crédit Local to their counterparties in order to secure obligations under interest rate or currency swaps.

Judgements 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 not quoted in an active market 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 judgements 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.).

As mentioned in the highlights related to the single supervision mechanism, in 2014, Dexia Crédit Local revised the methodology of valuation of securities and CVA/DVA (see 1.1.7. Fair value of financial instruments).

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 2014

- A "package of five" new and revised standards on the accounting treatment and disclosure requirements for interests in other entities. These new and revised standards comprise the following:
- IFRS 10 "Consolidated Financial Statements" introduces a single consolidation model for all entities, based on control

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and regardless the nature of the investee. IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities" (called "structured entities" under the new standard). IFRS 10 amends the definition of control and now states that an investor controls an investee if and only if the investor has all the following:

(a) power over the investee,

(b) exposure, or rights, to variable returns from its involvement with the investee, and

(c) the ability to use its power over the investee to affect the amount of the investor's returns.

This standard does not have a material impact on Dexia Crédit Local's financial statements.

• IFRS 11 "Joint Arrangements" does not permit any longer the proportional consolidation method when accounting for jointly-controlled entities. This standard does not impact the financial statements of Dexia Crédit Local.

• IFRS 12 "Disclosure of Interests in Other Entities" requires enhanced disclosures on Dexia Crédit Local's interests in subsidiaries, joint arrangements, associates and consolidated and non-consolidated structured entities in which Dexia Crédit Local has an involvement. This standard has an impact on the notes to Dexia Crédit Local's annual financial statements (see note 1.2.).

• IAS 27 "Separate Financial Statements", which supersedes IAS 27 "Consolidated and Separate Financial Statements" (as amended in 2008), continues to be a standard dealing solely with separate financial statements and thus has no impact on the consolidated financial statements of Dexia Crédit Local.

• IAS 28 "Investments in Associates and Joint Ventures", which supersedes IAS 28 "Investments in Associates" (as revised in 2003), is amended to reflect the changes stemming from the issuance of IFRS 10, IFRS 11 and IFRS 12. This standard does not impact the financial statements of Dexia Crédit Local.

• Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance". These amendments do not have a material impact on Dexia Crédit Local's financial statements.

• Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27. These amendments do 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 has no impact on Dexia Crédit Local.

• Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting". This amendment does not have a material impact on Dexia Crédit Local's financial statements.

• Amendment to IAS 32 "Financial instruments: Presentation". This amendment provides clarifications on the rules for offsetting financial assets and financial liabilities and does not have a material impact on Dexia Crédit Local's financial statements.

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 2014

• IFRIC 21 "Levies". This interpretation is effective, at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014. Dexia Crédit Local does not expect this interpretation to have a material impact on its annual financial statements.

• "Annual Improvements 2011-2013 cycle", which are a collection of amendments to existing IFRS. These amendments become effective, at the latest, as from the commencement date of the first financial year starting on or after 1 January 2015. 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.

1.1.2.3. New IFRS standards, IFRIC interpretations and amendments issued during the current year but not yet endorsed by the European Commission

• IFRS 14 "Regulatory Deferral Accounts" (issued by IASB in January 2014). This standard is effective as from 1 January 2016 and will not impact the financial statements of Dexia Crédit Local, which is no longer a first-time adopter.

• IFRS 15 "Revenue from Contracts with Customers" (issued by IASB in May 2014). This standard establishes the principles for accounting for revenue arising from contracts with customers. It is effective as from 1 January 2017 and the impact on Dexia Crédit Local's financial statements is currently being assessed.

• Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued by IASB in May 2014). This amendment is effective as from 1 January 2016 and will not impact the financial statements of Dexia Crédit Local.

• Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued by IASB in May 2014). These amendments are effective as from 1 January 2016 and will have no impact on the financial statements of Dexia Crédit Local.

• Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" (issued by IASB in June 2014). These amendments are effective as from 1 January 2016 and will have no impact on the financial statements of Dexia Crédit Local.

• IFRS 9 "Financial Instruments" (issued by IASB in July 2014). This standard brings together three following phases to replace "IAS 39 Financial Instruments: Recognition and Measurement": classification and measurement, impairment and hedge accounting. Macro hedge accounting is addressed as a separate project by the IASB. Improvements introduced by IFRS 9 include:

• a logical and single approach for the classification and measurement of financial assets, which is driven by the business model in which an asset is held and its contractual cash flow characteristics; recognition in other comprehensive income of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss;

• a single, forward-looking ''expected loss" impairment model;
• a substantially-reformed approach to hedge accounting.
Disclosed information is also enhanced.
This standard is effective as from 1 January 2018 and the impact on Dexia Crédit Local's financial statements is currently being assessed.
• Amendment to IAS 27 "Equity Method in Separate Financial Statements" (issued by IASB in August 2014). This amendment is effective as from 1 January 2016 and will not impact the financial statements of Dexia Crédit Local.
• Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued by IASB in September 2014). These amendments are effective as from 1 January 2016 and will have no impact on the financial statements of Dexia Crédit Local.
• "Annual Improvements 2012-2014 cycle" (issued by IASB in September 2014), which are a collection of amendments to existing IFRS. These amendments are effective as from 1 January 2016. 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.
• Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" (issued by IASB in December 2014). These amendments are effective as from 1 January 2016 and Dexia Crédit Local does not expect these amendments to have a material impact on its financial statements.
• Amendment to IAS 1 "Disclosure Initiative" (issued by IASB in December 2014). This amendment is effective as from 1 January 2016 and the impact on the notes to Dexia Crédit Local's financial statements is currently being assessed.

1.1.3. CONSOLIDATION

1.1.3.1. Subsidiaries and structured entities

Subsidiaries are those entities over whose Dexia Crédit Local may exercise control. Entities controlled by the Group are fully consolidated.
Under IFRS 10 "Consolidated Financial Statements", the Group controls an entity if and only if the Group has all the following:
• power over the entity;
• exposure, or rights, to variable returns from its involvement with the entity;
• the ability to use its power over the entity to affect those returns.
When power over an entity is obtained directly and solely from the voting rights granted by equity instruments, the investor that holds a majority of those voting rights controls the entity.
In other cases, especially for structured entities, the assessment of control is more complex and may require greater use of judgment considering other factors. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, Dexia Crédit Local is particularly involved in securitisation vehicles and investment funds. Dexia Crédit Local has power over an investee when it has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns.
The ability to direct the relevant activities is assessed by considering: the purpose and design of the investee; managing financial assets during their life, including the management upon default; selecting, acquiring, disposing or replacing of assets; appointing and remunerating an investee's key management personnel and terminating their employment; the right to liquidate the entity. Dexia Crédit Local determines whether it is exposed, or has rights, to variable returns by considering: dividends and other distributions of economic benefits; exposure to loss through instruments that absorbs variability (including CDSs as sellers of protection or junior tranches designed to absorb the first losses and paid on credit risk exposure basis); remuneration for servicing an investee's assets or liabilities; returns that are not available to other interest holders.
An investor controls an investee when it not only has power over investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee. Thus, an investor with decision-making rights shall determine whether it is a principal or an agent considering all the factors below: (a) the scope of its decision-making authority over the investee; (b) the rights held by other parties (including right to remove the decision maker); (c) the remuneration to which it is entitled in accordance with the remuneration agreements; (d) the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Subsidiaries are fully consolidated as of the date on which effective control is transferred to Dexia Crédit Local and are no longer consolidated as of the date on which Dexia Crédit Local's control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions among Dexia Crédit Local's companies have been eliminated. Where necessary, the accounting policies of the subsidiaries have been amended to ensure consistency with the policies adopted by Dexia Crédit Local.
Changes in 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.

1.1.3.2. Associates and joint venture.

Associates are investments in which Dexia Crédit Local has significant influence, but does not exercise control. This is usually the case, when Dexia Crédit Local owns between 20% and 50% of the voting rights.

A joint venture is a contractual arrangement of which two or more parties undertake a jointly controlled economic activity. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement and are required to agree unanimously to decisions about the relevant activities of the arrangement.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, then the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The ownership share of net income for the year is recognised as income of associates or joint ventures, whereas the share in other comprehensive income of associates or joint ventures 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 or joint ventures. Where necessary, the accounting policies of the associates or joint ventures have been amended to ensure consistency with the policies adopted by Dexia Crédit Local.

1.1.4. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with IAS 32, financial assets and financial liabilities are offset (and consequently, the net amount only is reported) when Dexia Crédit Local has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Since 31 December 2013, the derivative instruments transacted by Dexia Crédit Local with clearing houses that meet the two criteria required by IAS 32 have been offset on the balance sheet.

Offsetting effects are disclosed in the note 4.3 as required by the amendment to IFRS 7 on offsetting financial assets and financial liabilities.

1.1.5. FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

1.1.5.1. Foreign currency translation

On consolidation, the statements of income and cash flow statements of foreign entities that have a functional currency different from Dexia Crédit Local's presentation currency are translated into Dexia Crédit Local's presentation currency (EUR) at the average exchange rates for the year (annual reporting) or the period (interim reporting) and their assets and liabilities are translated at the respective year-end or quarter-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings and other currency instruments designated as hedges of such investments, are recorded as a cumulative translation adjustment within shareholders' equity. On disposal of a foreign entity accompanied by a loss of control, such exchange differences are recognised in the 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 in the functional currency of the foreign entity and are translated at the closing rate.

1.1.5.2. Foreign currency transactions

For individual Dexia Crédit Local entities, foreign currency transactions are accounted for using the 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 judgement 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, that require delivery within the established timeframes (a "regular way" purchase or sale), on trade date. For these financial assets, Dexia Crédit Local recognises in the 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 recognises these unrealised gains and losses under "Net gains (losses) on financial instruments at fair value through profit or loss".

All other "regular way" purchases and sales of financial assets not held for trading are recognised and derecognised on the settlement date, which is the date of delivery to or by Dexia Crédit Local.
Dexia Crédit Local derecognises all or part of a financial asset if the contractual rights to the cash flows from the financial asset expire or if these contractual rights to receive the cash flows of the financial asset or substantially all of the risks and rewards of ownership are transferred. In this case, any rights or obligations created or retained at the time of transfer are recognised separately as assets and liabilities.
Dexia Crédit Local recognises the financial liabilities on its balance sheet when it becomes party to the contractual provisions of the instrument. Dexia Crédit Local derecognises financial liabilities only when, 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 remeasures 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.
Dexia Crédit Local reports embedded derivatives which were separated under the same heading as the host contract.

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.
There is objective evidence of individual impairment when a counterparty has or is likely to have difficulties meeting its commitments. An asset is also likely to be impaired if it is past due for more than six months concerning loans to French local governments and more than three months for all other types of loans.
Collective impairments are recognised if an incurred risk is identified on a sector and on portfolios of assets considered sensitive and placed on watch.

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 judgements 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. Thus, a reclassification to "loans and receivables" is possible when assets "available-for-sale" are not any longer quoted in active markets and when Dexia Crédit Local has the intent and the ability to hold the asset in the foreseeable future or to maturity. 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, judgements 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 1.1.6.5.1).

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 recognises provisions on loan commitments 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 (see 1.1.22).

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 categorized 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.

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 summarized 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.

In order for a fair value to qualify for level 2 inclusion, observable market data should be significantly used. The market data that Dexia Crédit Local incorporates in its valuation models are either directly observable data (prices), indirectly observable data (spreads) or deducted from observable data (price or spread) for similar instruments. Fair value measurements that rely significantly on unobservable data or on own assumptions qualify for level 3 disclosure.

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 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 collateralized 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 uncollateralized derivatives, where there is a risk on the fair value of the derivative at the balance-sheet date and also on the expected change of value over the life of the derivative.

Based on projections, positive expected exposures are used for a CVA calculation and negative expected exposures are used for a DVA calculation.

For CVA/DVA calculation, the Probability of Default (PD) parameters are based on market data and market conventions. The Loss Given Default (LGD) parameters are based on market conventions or on internal statistical data taking into account observed recovery rates.

Dexia Crédit Local will continue to improve its models in the next periods following market practice evolution and especially the convergence on valuation adjustments such as Funding Valuation Adjustment (FVA).

For bonds and loans for which no active market exists, Dexia Crédit Local maximises the use of market data.

Dexia Crédit Local uses a discount cash-flow model, based on a credit spread. The credit spread is estimated from market data which are directly available from external contributors (Bloomberg, Markit,…) or, when there is no data available for a given instrument, from the issuer credit curve which is adjusted to take into account the characteristics of the specific instrument (maturity,…), or, if the issuer curve is not available, from available market data for similar instruments (from the same economic sector, rating, currency,…).

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 October 13th, 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. A reclassification occurred also in 2014.

These assets are valued using Dexia Crédit Local's 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.

The valuation of loans classified in L&R or borrowing liabilities is based on in-house developed valuation models. For this model price, Dexia Crédit Local uses a discount cash-flow model, based on a 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 cash instruments spread.

Dexia Crédit Local will improve its models in the next periods in order to maximise the use of observable market data.

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.

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 programs are recognised as expense as incurred. However, expenditure that enhances or extends the benefits of computer software programs beyond one year is used to increase the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives from the time the software is available for use. This amortisation period is usually between three and five years, except for core business applications, for which the amortisation period is 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

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

1.1.17. ACCRUALS AND OTHER ASSETS

Accruals and other assets mainly include 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. 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 because, despite the transfer of ownership of securities, there is no substantial transfer of risks and rewards 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 & equipment, the revaluation of certain financial assets and liabilities (including derivative contracts, provisions for pensions and other post-retirement benefits), provisions for loan and other impairments and, in relation to acquisitions, from the difference between the fair value of the net assets acquired and their tax base.

The tax rates used are the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are not discounted. Deferred tax assets on deductible temporary differences and tax loss carry-forwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Deferred tax liability is provided on taxable temporary differences arising from investments in subsidiaries, 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.

Current and deferred taxes are recognised under "Corporate income tax" in the income statement. Interests on late payments related to income taxes are recognised in the interest margin in net banking income.

On the other hand, 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. Retirement termination payments

Retirement termination payments are treated as defined benefit plans.

1.1.21.3. Other long-term benefits

These mainly includes 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 ate 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. Ownership interest in subsidiaries and other entities

a. Criteria for consolidation and use of the equity method

The Dexia Crédit Local Group applies all rules with regard to the consolidation scope resulting from:

- IFRS 10 on the preparation and presentation of consolidated financial statements;
- IFRS 3 on business combinations and the impact of accounting methods on the consolidated accounts;
- IAS 28 (revised) on Investments in associates and joint ventures;
- IFRS 11 on Joint Arrangements.

The policies laid down by these standards imply that all companies over which the Group exercises exclusive or joint control or 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 Group financial statements, any companies whose contribution to the consolidated financial statements is not material shall not be included in the consolidation scope.

Entities are considered as non-significant when, at consolidated level, the aggregate of their total assets, liabilities, equity and net income does not exceed 1% of the total of consolidated balance sheet and net income (respectively EUR 2.46 billion and EUR 11.53 million (average on 3 years) in 2014). As at 31 December 2014, the sum of the total balance sheet and net income of unconsolidated entities does not exceed this threshold.

b. Changes in the consolidation scope compared with 31 December 2013

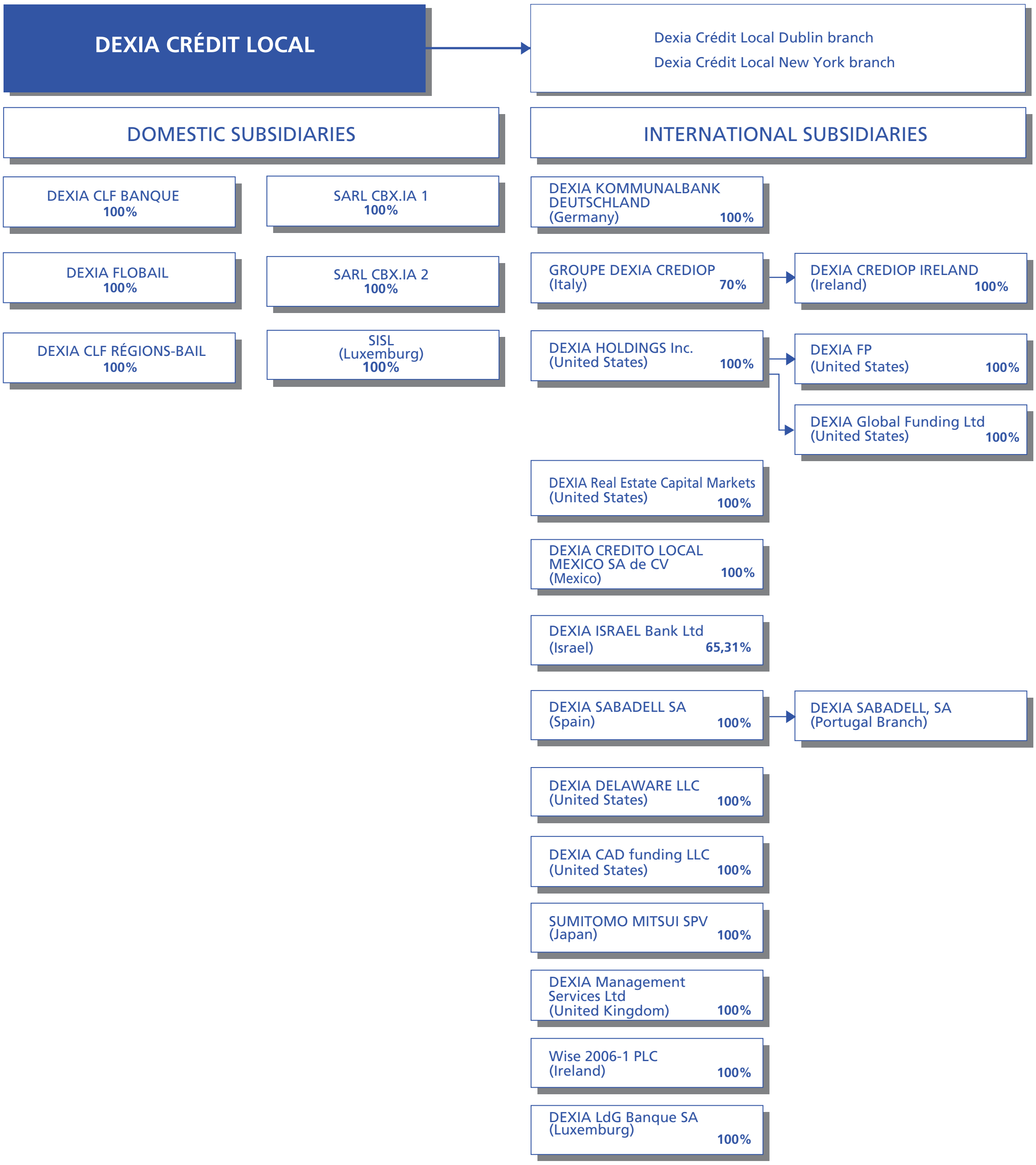
The first application of IFRS 10 and IFRS 11 has limited impact on consolidation scope. Cypress Point Funding limited was deconsolidated as at 1 January 2014. This change has no material impact on the financial statements.

c. Impact of changes in scope on the consolidated income statement

Nil

d. Scope of the Dexia Crédit Local Group as at 31 December 2014

All Group entities are managed in run-off, except Dexia Israel, in order to preserve the value of its commercial franchise with a view to its disposal.



A. Fully-consolidated subsidiaries

Name	Head office	% of capital held
Dexia CLF Banque	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	100
Dexia CLF Régions Bail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 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, 92913 La Défense France	100
SISL	180 rue des Aubépines L1145 Luxembourg	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 7091 - Tel Aviv 61070 - Israël	65,31
Dexia Sabadell SA (3)	Calle Mahonia, 2 - 4ª planta, 28043 Madrid	79,01
CBX.IA 1	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	100
CBX.IA 2 (4)	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	100
Dexia Delaware LLC	15, East North Street - Dover, Delaware 19901- USA	100
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 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
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
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	42, rue de la Vallée - L-2661 Luxembourg	100
WISE 2006-1 PLC	Custome House Plaza Block 6 - IFSC Dublin 1-Ireland	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 to 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.
(5) Companies consolidated by Dexia Holdings Inc
(6) Companies consolidated by Dexia FP Holdings Inc.
(7) Sociétés consolidated by FSA Global Funding Ltd

B. Non-fully consolidated subsidiaries

Name	Head office	% of capital held	Reason for exclusion
CBX. GEST	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	99.94	Below materiality threshold
DCL Evolution	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	99.76	Below materiality threshold
Dexia Kommunalkredit Adriatic	Radnicka cesta 80 HR - 10000 Zagreb Croatia	100	Below materiality threshold
Dexia Kommunalkredit Bulgaria	19 Karnigradska Sofia 1000 - Bulgaria	100	Below materiality threshold
Dexia Kommunalkredit Hungary	Horvat u. 14-24 - 1027 Budapest - Hungary	100	Below materiality threshold
Dexia Kommunalkredit Romania	Str. Faragas nr 21 Sector 1, 010897 Bucuresti, Romania	100	Below materiality threshold
Dexiarail	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	100	Below materiality threshold
Genebus Lease	1 passerelle des Reflets, Tour Dexia, La Défense 2, 92913 La Défense France	99.89	Below materiality threshold

C. Joint companies consolidated by the proportionate method

Nil.

D. Joint companies non consolidated by the proportionate method

Nil.

E. Associated companies accounted for by the equity method

Nil.

F. Associated companies not accounted for by the equity method

Name	Head office	% of capital held	Reason for exclusion
European public infrastructure managers	4, rue Jean-Pierre Brasseur L - 1258 Luxembourg	20	Below materiality threshold
Impax New Energy Investor	67, rue Ermesinde L - 1469 Luxembourg	24.99	Below materiality threshold
La Cité	35 rue de la Gare F - 75019 Paris	25.5	Below materiality threshold
SNC du Chapitre	72, rue Riquet F - 31000 Toulouse	50	Below materiality threshold
South European Infrastructure Equity Finance	4, rue Jean-Pierre Brasseur L-1258 Luxembourg	21	Below materiality threshold
SPS - Sistema Permanente di Servizi Scpa in liquidazione e concordato preventivo	Via Livorno, 36 00162 Roma Italy	20.4	Below materiality threshold

Nature of the risks associated with an entity's interests in consolidated structured entities

As part of the sale of FSA to Assured Guaranty, Dexia Crédit Local retained the Financial Products activity and generally, agreed to indemnify FSA and Assured Guaranty for any losses they may suffer in relation to that activity. The Financial Products' activity includes the Global Funding business which includes a portion of the assets and liabilities of FSA Global Funding and of Premier International Funding Co.

Dexia Crédit Local did not provide, financial or other support to a consolidated structured entity when Dexia Crédit Local was not contractually obliged to do so, nor has an intention to do so in the future.

Dexia Crédit Local did not provide any financial or other support which resulted in the entity controlling the structured entity.

e. Significant restrictions on assets and liabilities of an entity

Following IFRS 12, Dexia Crédit Local provides the list of significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

The information regarding financial assets pledged as collateral for liabilities or contingent liabilities is presented in note 7.3.b.

The assets guaranteeing the secured debt issued by covered bond entities and the guaranteed investment contracts are presented in note 7.3.b.

Certain assets held by Dexia Crédit Local and benefiting from a credit risk hedge in the form of a guarantee or even a CDS are subject to some legal restrictions, commonly called "Representation to Hold clauses"(1)

Some restrictions concern structured entities. They take the form of segregation of assets in order to satisfy the obligations of the issuer to the noteholders as well as requirement of agreement from the insurer or the guarantor.

Pursuant to the European Commission Decision of 28 December 2012, there is a general ban on the payment of any form of dividend by any subsidiary controlled directly or indirectly by Dexia, in particular when such a payment would entail mandatory payment of a coupon on Tier 1 hybrid instruments or Tier 2 instruments held by persons other than Dexia and its subsidiaries.

Regulated entities are required to comply with regulatory requirements applicable to them.

Furthermore, some regulators limit the ability of a subsidiary or branch under their supervision, to finance the parent company above a certain threshold.

f. Interest in unconsolidated structured entities

They are mainly a special purpose vehicle that was designed in order to provide clients with an access to a specific market dedicated to institutional investors and a securitisation vehicle (FCC) of loans to customers. These vehicles are financed through issuance of notes.

(1) Guarantee contracts with monoliners (or with banks acting as intermediary for monoliners) contain "representation to hold clauses" which (more or less strictly) oblige the beneficiary to hold the guaranteed assets until the end-term of the guarantee

Interests in unconsolidated structured entities (in EUR million)	**Securitisation Special Purpose Entities**	**Other activities**	**Total**
Derivatives	267		267
Debt securities	216	439	655
TOTAL	**483**	**439**	**922**
Total assets of unconsolidated structured entities	**750**	**587**	**1,362**

The maximum exposure to loss is the fair value of derivatives and the amortised costs of other instruments.

Dexia Crédit Local is considered to be a sponsor of a structured entity when it is primarily involved in the design and establishment of the structured entity and when it transferred assets to the structured entity or provided guarantees regarding the structured entity's performance. Dexia Crédit Local, as a run-off structure, does not have income anymore from sponsored structure without interest in the entity as at 31 December 2014.

g. Subsidiaries with minority interests that are material

Minority interests are considered material when they represent more than 5% of equity group share or when minority interests represent more then 5% of total assets.

Dexia Crediop S.p.a	**31/12/2013**	**31/12/2014**
Percentage of ownership held by minority interests	30%	30%
Principle place of business	Italy	Italy
Accumulated minority interests	346	292
Profit or loss allocated to minority interests	(10)	(12)
Dividend paid to non-controlling interests	0	0
Assets (in EUR million)	36,417	37,695
Liabilities (in EUR million)	35,222	36,678
Equity (in EUR million)	1,195	1,017
Net banking income (in EUR million)	12	19
Profit or loss (in EUR million)	(33)	(39)
Total comprehensive income (in EUR million)	20	(178)

1.3. Significant events in 2014

While the depreciation of the euro and lower energy prices were positive developments, Eurozone growth remained largely contained in 2014. In order to curb deflationary pressure, the European Central Bank pursued an accommodating monetary policy, as evidenced by historically low interest rates and quantitative easing measures that have been reinforced in 2015.

2014 was also marked by profound changes in the prudential and regulatory framework applied to credit institutions,

highlighted by the implementation of the new Basel III capital rules in January 2014 and the establishment of the Single Supervisory Mechanism in November 2014.
With this backdrop, Dexia Crédit Local pursued the implementation of its orderly resolution, under a simplified governance structure and organisation. Dexia Crediop has been managed in run-off since July 2014.

CONTINUATION OF THE GROUP'S ORDERLY RESOLUTION PLAN

Reaching of the target scope as set out in the Group's orderly resolution plan
Negotiations entered into with prospective buyers of Dexia Crediop did not produce a firm offer within the deadline set by the European Commission, despite a six-month extension. As a result, the European Commission confirmed to the Dexia Group on 15 July 2014 the run-off status of Dexia Crediop.
The completion of the sale of Société de Financement Local (SFIL) in January 2013 required the separation of formerly combined entities, including the separation of teams and the duplication of certain applications and functions. Particular attention was paid to critical processes and IT applications. The separation was done gradually after the disposal of SFIL in order to ensure the operational continuity of the two entities, and, completed in 2014, is now in effect.

Further implementation of the Company Project
In May 2013, the Group launched a "Company Project" aimed at redefining its strategic objectives, its governance and the optimal operational model for the implementation of its resolution plan.

a – Adapting the business model
The Dexia Crédit Local Group implemented its new organisational structure and governance. Two support lines, Assets and Transformation, have been created, dedicated, respectively, to the management of the assets and client relationships and to the transformation of the Group's operating model. The internal organisation of the existing support lines Funding and Markets, Finance and Risk has also been streamlined, resulting in the creation of new teams, the transfer of staff across business lines and changes in functional content.
The Group's governance has been rendered more flexible by instituting a Transaction Committee that brings together the Heads of Assets, Funding and Markets, Finance, Risk and Legal and is authorised to approve Assets and Funding transactions within the delegation given by the Management Board.

b - Overhauling information systems
The Group launched in 2014 several studies in order to ensure adequacy between its information systems and strategic objectives during the resolution period. In this context, Dexia Crédit Local invested in a dedicated software-application in order to support the development of its Repo lending platform.
In order to strengthen the quality and consistency of data across the Group, a single database will be built and gradually replace various local databases.

IMPACT OF THE INTEREST AND FOREIGN EXCHANGE RATE ENVIRONMENT ON THE GROUP'S LIQUIDITY SITUATION IN 2014

The overall level of interest rates, currently at historical lows, and the depreciation of the euro against the other major currencies resulted in an increase of the funding requirements of the Dexia Crédit Local Group. This was mainly due to higher net cash collateral(1) needed to be posted by the Group to its counterparties. It amounted to 31 billion as at 31 December 2014, up from 22 billion EUR as at 31 December 2013. The effects on the Group's results are therefore mixed. While the fall of the European Central Bank key rate reduces the Group's cost of funding, the increase in cash collateral(1) requirements raises costs for the Group. Finally, the continued decline in Eurozone sovereign funding costs resulted in lower funding costs related to Dexia Crédit Local's bonds guaranteed by the Belgian, French and Luxembourg States and enabled short- and long-term issuance activity to be strong on this market segment.

DEVELOPMENTS WITH REGARD TO CREDIT RISK

Dexia Crédit Local pursued an active balance sheet management policy and sold its direct exposure to the City of Detroit, recording a gain of USD 32 million after reversal of impairments. Dexia Crédit Local Group's remaining exposure to public sector entities associated with the City of Detroit was USD 26 million on the city waste water service, 100% guaranteed by quality monoliners, and USD 137 million on the School district, benefiting from the Michigan State constitutional protection on its debt service and 90% guaranteed by quality monoliners.
Dexia Crédit Local also reduced its exposure to the Commonwealth of Puerto Rico during 2014. The gross book value of Dexia Crédit Local's commitments on Puerto Rico amounted to USD 411 million at the end of December 2014. Total impairments amounted to USD 46 million. Moreover, this exposure is 95% guaranteed by quality monoliners.
The volatile economic environment subjected Dexia Crédit Local to increase its collective impairments on certain sectors which are considered to be sensitive by the Group. The level of impairments on the renewable energy and banking sector were increased, in order to cover the risks associated with potentially unfavorable regulatory developments.
Dexia Crédit Local increased its collective impairment on the renewable energy sector up to EUR 49 million at the end of December 2014, following a new regulation by the Spanish government which retroactively reduces the purchase tariffs guaranteed for electricity produced from renewable energy.

(1) Deposits or financial instruments posted by Dexia Crédit Local to its counterparties in order to secure obligations under interest rate or currency swaps.

The Group also made a collective impairment of EUR 32 million on the banking sector as a result of developments in the regulatory framework, including the entry into force of the Bank Recovery and Resolution Directive (BRRD).
As at 31 December 2014 the Dexia Crédit Local Group had no longer any direct exposure to Greek sovereigns. Exposure to other Greek counterparties amounted to EUR 156 million at the end of December 2014.

LEGAL RISK ASSOCIATED WITH STRUCTURED LOANS IN FRANCE

In order to limit litigation risk, in 2014 the Dexia Crédit Local Group continued to desensitise outstanding amount of structured loans granted by Dexia Crédit Local in France, in line with the commitments made by the States to the European Commission. At the end of 2014, the sensitive structured loan exposure was reduced by 16% compared to the end of 2013, to EUR 1.2 billion.
The legal framework for structured loans evolved considerably in 2014, following measures implemented by the French government. Such framework is aimed at securing the legal environment for the lending banks while providing assistance mechanisms to help local authorities and hospitals facing financial difficulties, through the implementation of two support funds. The resources of these two mechanisms will be sharply increased in 2015, as announced by the French government on 24 February 2015, to enable "contracts to be definitively desensitised and refinanced in order to neutralise their risk". In real terms, the envelope of assistance offered to local authorities, inter-communal groups and HLM (rent-controlled housing) offices for the desensitisation of their sensitive structured loan contracts was increased from EUR 1.5 billion to EUR 3 billion over 15 years, and that available for the same loans to public hospitals was raised from EUR 100 million to EUR 400 million.
More information on structured loans and the evolution of the regulatory framework in France is provided in the chapter "Risk Management" of this annual report.

EVOLUTION OF THE REGULATORY ENVIRONMENT

First-time application of the Basel III solvency rules

The Basel III solvency rules (CRR and CRD IV) came into force on 1 January 2014. They significantly amend the modes of calculating the regulatory capital and the weighted risks. A transition period to the new regulatory framework is foreseen between 2014 and 2019.

a – Harmonisation of the national discretions with respect to the regulatory solvency ratios

The CRD IV Directive provides for the deductibility of the AFS (Available for Sale) reserve from the regulatory capital, whilst authorising national discretions. The National Bank of Belgium (NBB) and the French "Autorité de Contrôle Prudentiel et de Résolution" (ACPR) have confirmed that the rules applicable to Dexia and to Dexia Crédit Local for the calculation of their regulatory solvency ratios during the transitional period from 1 January 2014 to 31 December 2017 would be identical. As such, the AFS reserve on sovereign securities does not have to be taken into account for the calculation of the solvency ratios and the AFS reserve relating to non-sovereign exposures has to be deducted gradually from the regulatory capital (increment of 20% per year).

b – Liquidity coverage ratio: Eligibility of state-guaranteed debt as level 1 asset

As part of the implementation of the Basel III framework, the European Commission published a supplemental Delegated Act on 10 October 2014 related to the liquidity coverage requirement for credit institutions. This publication specifies the nature of assets which qualify as high quality liquid assets (HQLA), and their classification as level 1 and level 2 assets when determining the Liquidity Coverage Ratio (LCR). This ratio is planned to come into effect gradually during 2015.
The State-guaranteed debt issued by Dexia Crédit Local meets these conditions and is therefore eligible as a level 1 high quality liquid asset (HQLA) in calculating the LCR.
The HQLA level 1 eligibility of Dexia Crédit Local's State-guaranteed debt is a favorable outcome for the Group funding as it is expected to increase the appetite of financial institutions required to comply with the LCR for Dexia Crédit Local's guaranteed debt.

Comprehensive assessment performed by the European Central Bank and establishment of the Single Supervisory Mechanism

The European Central Bank performed a comprehensive assessment of banks under its supervision as from 4 November 2014. This assessment comprised an asset quality review (AQR) and a stress test performed after join-up of the AQR results, applying both a baseline and an adverse scenario.
This assessment was performed on a consolidated basis at Dexia Group level. The results are therefore not directly applicable to Dexia Crédit Local's scope. However, Dexia Crédit Local is directly impacted by the consequences of the comprehensive assessment as it holds almost all of the Group's assets.
Following the asset quality review, three main topics were highlighted by the European Central Bank
• The European Central Bank pointed out a difference of EUR 79 million between the amount recorded by Dexia Crédit Local as impairment for credit risk and the amount resulting from the AQR. As part of customary credit risk monitoring, positions identified by the European Central Bank were subject to additional impairments when deemed necessary. The residual divergence from the impairment level set by the European Central Bank is not significant.
• The assessment results in a discrepancy in the valuation of certain illiquid securities classified as AFS (level 3), corresponding to an impact of EUR -49.5 million on Dexia Crédit Local's regulatory capital in 2014. After performing an analysis of the European Central Bank's recommendations, the Group decided to discontinue the use of its internal model based

on credit spread parameters and to switch to a fully market-based approach for bond fair valuation purposes. The use of observable market data led to a reduction of the accounting value of securities, reflected in the Group's financial statements by a deterioration of the AFS reserve. The change in parameters used for the valuation of illiquid securities enabled the Group to reverse, in agreement with the supervisory authorities, the prudential adjustment that was made on their request, to Dexia and Dexia Crédit Local's regulatory capital on 31 March 2014. In accordance with the Group's management intentions and the IAS39 accounting standard provisions, Dexia Crédit Local also decided to reclassify the most illiquid bonds from the Available for sale category to Loans and Advances as from 1 October 2014. EUR 2.6 billion of securities were reclassified.

• An adjustment in the provision for the Credit Valuation Adjustment (CVA) on derivatives. Just as for the valuation of illiquid securities, an analysis was performed for the calculation of the CVA, leading to the use of observable market data. The methodology for calculating the Group CVA is now fully in line with the European Central Bank recommendation.

As a systemically important bank, Dexia have been subject to the direct supervision of the European Central Bank within the framework of the Single Supervisory Mechanism since 4 November 2014. The same rule applies to Dexia Crédit Local and the French sub-scope.

1.4. Post-balance-sheet events

Evolution on the foreign exchange market

On the foreign exchange market, the Swiss franc appreciated by almost 30% following the decision by the Swiss National Bank to abandon the cap for the Swiss franc which had been held for some three years.

The potential impacts for Dexia Crédit Local have been analysed and taken into account in the financial statements as at 31 December 2014.

Favourable evolution of the funding structure of the Group

Since 2015, the Dexia Crédit Local Group successfully executed three guaranteed benchmark issues: a EUR 1.75 billion issue reaching maturity in 2022 on 12 January 2015; on 23 January 2015, in volatile market conditions, Dexia Crédit Local took advantage of an open market window to execute successfully a new 5 year issue for a notional of USD 1.5 billion and finally, on 10 February 2015, Dexia Crédit Local realised a new 10 year issue for an amount of GBP 700 million.

As at 27 February 2015, Dexia Crédit Local finalised the repayment plan of several significant funding lines, resulting in a favourable evolution of its funding structure:

• At the end of 2014 and the beginning of 2015, the Group repaid the outstanding of Belfius-owned guaranteed debt, for an amount of EUR 12.8 billion;

• On 27 February 2015, Dexia Crédit Local also repaid EUR 13 billion of own-used government guaranteed bonds pledged to the Eurosystem refinancing operations. This repayment is in line with progressive exit in 2015 from this derogation funding mechanism granted by the European Central Bank.

In anticipation of those significant maturities, the Group adopted a prudent approach of its liquidity management. The amounts repaid were replaced by guaranteed or secured funding raised on financial markets.

The outstanding debt guaranteed by the States of Belgium, France and Luxembourg was reduced from EUR 82.0 billion as at 17 February 2015 to EUR 70.0 billion as at 27 February 2015. The maximum ceiling is EUR 85 billion. The recourse to central bank funding was reduced from EUR 33.5 billion at the end of 2014 to EUR 28.0 billion as at 27 February 2015.

Information relating to Dexia Crédit Local Group's exposure to Heta Asset Resolution AG

On 1 March 2015, under the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken), the Austrian Financial Market Authority (FMA-Finanzmarktaufsicht) issued a decree initiating the resolution of Heta Asset Resolution AG, previously Hypo Alpe Adria Bank International AG, responsible for managing the legacy assets of Hypo Alpe Adria in run-off, and imposed a temporary moratorium until 31 May 2016 on a substantial part of the debt of the entity (capital and interests).

Dexia Crédit Local notes this decision and states that the nominal value of its exposure to Heta Asset Resolution AG, affected by this moratorium, amounts to EUR 395 million. This exposure has the benefit of a guarantee granted by the State of Carinthia. This outstanding is booked on Dexia Kommunalbank Deutschland AG's balance sheet, it being specified that it is not included in the cover pool of Dexia Kommunalbank Deutschland AG.

The Dexia Crédit Local Group is currently studying the appropriate actions to be taken with regard to the decision of the FMA.

Nevertheless, as a precaution and following the announcement on 1 March 2015, the Group will book a specific provision on its exposure in the first quarter 2015, the amount of which will be determined in light of further developments of the situation.

2. Notes on the assets

2.0. Cash and central banks (Item I - Assets)

(in EUR million)	31/12/2013	31/12/2014
Cash	1	0
Mandatory reserve deposits with central banks	164	629
Other central banks deposits	1,376	2,474
TOTAL	**1,541**	**3,103**
of which included in cash and cash equivalents	*1,541*	*3,103*

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").

(in EUR million)	31/12/2013	31/12/2014
Loans and securities	1,801	1,814
Derivatives (see note 4.1.b)	16,546	22,400
TOTAL	**18,347**	**24,214**

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

	31/12/2013			31/12/2014		
(in 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
Other	1,774	21	1,795	1,787	21	1,808
TOTAL	**1,774**	**27**	**1,801**	**1,787**	**27**	**1,814**

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

(in EUR million)	31/12/2013 Held for trading	31/12/2013 Designated at fair value	31/12/2013 Total	31/12/2014 Held for trading	31/12/2014 Designated at fair value	31/12/2014 Total
Bonds issued by public bodies	0	0	0	0	0	0
Other bonds and fixed-income instruments	1,774	27	1,801	1,787	27	1,814
Equities and other variable-income instruments	0	0	0	0	0	0
TOTAL	**1,774**	**28**	**1,801**	**1,787**	**27**	**1,814**

c. Treasury bills and other eligible bills for refinancing with central banks

Nil.

d. Securities pledged under repurchase agreements (repos)

Nil.

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 (IAS 39 amended)

See note 2.13.

2.2. Financial assets available for sale (Item IV - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2013	31/12/2014
Public sector	14,981	14,288
Banks	8,700	7,613
Other	5,413	4,494
Performing assets	**29,094**	**26,395**
Impaired bonds issued by public bodies	0	0
Other impaired bonds and fixed-income instruments	69	72
Impaired equities and other variable-income instruments	135	143
Impaired assets	**204**	**215**
TOTAL ASSETS BEFORE IMPAIRMENT	**29,298**	**26,610**
Specific impairment	(74)	(84)
TOTAL ASSETS AFTER IMPAIRMENT	**29,224**	**26,526**

b. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Bonds issued by public bodies	12,114	11,549
Other bonds and fixed-income instruments	16,774	14,761
Equities and other variable-income instruments	410	300
TOTAL	**29,298**	**26,610**
Specific impairment	(74)	(84)
TOTAL	**29,224**	**26,526**

c. Transfers between portfolios

None.

d. Convertible bonds included in the available for sale portfolio (positions higher than EUR 50 million)

None.

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 (IAS 39 amended)

See note 2.13.

2.3. Interbank loans and advances (Item V - Assets)

a. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Nostri accounts	549	572
Reverse repurchase agreements *(reverse repos)*	550	1 573
Other interbank loans and advances	4,522	3,062
Debt instruments	3,292	3,016
Performing assets	**8,913**	**8,223**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**8,913**	**8,223**
Collective impairment	(5)	(14)
TOTAL	**8,908**	**8,209**
of which included in cash and cash equivalents	*967*	*1,949*

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 (IAS 39 amended)

See note 2.13.

2.4. Customer loans and advances (Item VI - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2013	31/12/2014
Public sector	79,597	88,815
Other	48,518	45,703
Performing assets	**128,115**	**134,518**
Impaired loans and advances	850	881
Impaired debt instruments	536	277
Impaired assets	**1,386**	**1,158**
TOTAL ASSETS BEFORE IMPAIRMENT	**129,501**	**135,676**
Specific impairment	(541)	(306)
Collective impairment	(408)	(484)
TOTAL	**128,552**	**134,886**
of which included in finance leases	*1,630*	*1,533*

b. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Loans and advances	81,421	80,862
Debt instruments	46,694	53,656
Performing assets	**128,115**	**134,518**
Impaired loans and advances	850	881
Impaired debt instruments	536	277
Impaired assets	**1,386**	**1,158**
TOTAL ASSETS BEFORE IMPAIRMENT	**129,501**	**135,676**
Specific impairment	(541)	(306)
Collective impairment	(408)	(484)
TOTAL	**128,552**	**134,886**
of which included in finance leases	*1,630*	*1,533*

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 (IAS 39 amended)

See note 2.13.

2.5. Financial assets held to maturity (Item VIII - Assets)

a. Analysis by counterparty

(in EUR million)	31/12/2013	31/12/2014
Public sector	309	226
Banks(1)	26	0
Other(1)	49	29
Performing assets	**384**	**255**
Impaired assets	**0**	**0**
TOTAL ASSETS BEFORE IMPAIRMENT	**384**	**255**
Specific impairment	0	0
Collective impairment	0	0
TOTAL	**384**	**255**

(1) Figures as at 31 December 2013 have been restated.

b. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Bonds issued by public bodies	287	209
Other bonds and fixed-income instruments	97	46
TOTAL	**384**	**255**

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)

(in EUR million)	31/12/2013	31/12/2014
Current tax assets	17	29
Deferred tax assets (see note 4.2.)	42	41

2.7. Accruals and other assets (Item XI - Assets)

(in EUR million)	31/12/2013	31/12/2014
Other assets	718	1 217
Cash collateral	26,542	37,033
TOTAL	**27,260**	**38,250**

Other assets

Analysis by nature (in EUR million)	31/12/2013	31/12/2014
Accrued income	8	7
Deferred expense	24	25
Other accounts receivable	684	1 179
Other taxes	2	6
Performing assets	**718**	**1 217**
Impaired assets	**9**	**2**
TOTAL ASSETS BEFORE IMPAIRMENT	**727**	**1,219**
Specific impairment	(9)	(2)
TOTAL	**718**	**1,217**

2.8. Tangible fixed assets (Items XV - Assets)

a. Net book value

(in 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 1 Jan. 2013	**401**	**1**	**85**	**228**	**715**
- Acquisitions	0	0	2	41	43
- Disposals	0	(1)	(3)	(39)	(43)
- Change in scope of consolidation (out)	(6)	0	(14)	(230)	(250)
- Transfers and cancellations	0	0	(1)	0	(1)
Acquisition cost as at 31 Dec. 2013 (A)	**395**	**0**	**69**	**0**	**464**
Accumulated depreciation and impairment as at 1 Jan. 2013	**(67)**	**(1)**	**(67)**	**(81)**	**(216)**
- Depreciation booked	(7)	0	(4)	(15)	(26)
- Disposals	0	1	3	16	20
- Change in scope of consolidation (out)	5	0	10	80	95
- Transfers and cancellations	0	0	1	0	1
Accumulated depreciation and impairment as at 31 Dec. 2013 (B)	**(69)**	**0**	**(57)**	**0**	**(126)**
Net book value as at 31 Dec. 2013 (A)+(B)	**326**	**0**	**12**	**0**	**338**

(in EUR million)	Land and buildings	Office furniture and other equipment	Total
	Own use owner	Own use owner	
Acquisition cost as at 1 Jan. 2014	**395**	**69**	**464**
- Acquisitions	1	3	4
- Disposals	0	(3)	(3)
- Transfers and cancellations	0	(1)	(1)
- Translation adjustments	0	2	2
Acquisition cost as at 31 Dec. 2014 (A)	**396**	**70**	**466**
Accumulated depreciation and impairment as at 1 Jan. 2014	**(69)**	**(57)**	**(126)**
- Depreciation booked	(8)	(4)	(12)
- Disposals	0	3	3
- Transfers and cancellations	0	1	1
- Translation adjustments	0	(2)	(2)
Accumulated depreciation and impairment as at 31 Dec. 2014 (B)	**(77)**	**(59)**	**(136)**
Net book value as at 31 Dec. 2014 (A)+(B)	**319**	**11**	**330**

b. Fair value of investment property

Nil

c. Capitalised expenditures for the construction of tangible fixed assets

Nil

d. Contractual obligations relating to investment property at the end of the period

Nil

e. Contractual obligations relating to property, plant and equipment at the end of the period

Nil

2.9. Intangible assets (Item XVI - Assets)

(in EUR million)	2013 Internally developed software	2013 Other intangible assets(1)	2013 Total	2014 Internally developed software	2014 Other intangible assets(1)	2014 Total
Acquisition cost as at 1 January	**167**	**126**	**292**	**157**	**120**	**276**
- Acquisitions	7	3	10	3	7	10
- Disposals	(1)	(3)	(4)	(2)	0	(2)
- Change in scope of consolidation (out)	(16)	(5)	(21)	0	0	0
- Translation adjustments	0	(1)	(1)	0	2	2
Acquisition cost as at 31 December (A)	**157**	**120**	**276**	**158**	**129**	**287**
Accumulated depreciation and impairment as at 1 January	**(137)**	**(112)**	**(249)**	**(138)**	**(110)**	**(248)**
- Booked	(13)	(7)	(20)	(10)	(6)	(16)
- Change in scope of consolidation (out)	11	5	16	0	0	0
- Write-back	1	2	3	0	0	0
- Disposals	0	1	1	2	0	2
- Translation adjustments	0	1	1	0	(2)	(2)
Accumulated depreciation and impairment as at 31 December (B)	**(138)**	**(110)**	**(248)**	**(146)**	**(118)**	**(264)**
Net book value as at 31 December (A)+(B)	**19**	**10**	**28**	**12**	**11**	**23**

(1) Other intangible assets include primarily purchased software.

2.10. Goodwill (Item XVII - Assets)

(in EUR million)	**2013**	**2014**
Acquisition cost as at 1 January	**267**	**0**
- Change in scope of consolidation (out)(1)	(73)	0
- Transfers	(194)	0
Acquisition cost as at 31 December	**0**	**0**
Accumulated amortisation and impairment as at 1 January	**(208)**	**0**
- Change in scope of consolidation (out)(1)	14	0
- Transfers	194	0
Accumulated amortisation and impairment as at 31December	**0**	**0**
Carrying amount as at 31 December	**0**	**0**

(1) Sale of Sofaxis

2.11. Leases

a. Group as lessor

Finance leases

Gross investment in finance leases (in EUR million)	**31/12/2013**	**31/12/2014**
Less than 1 year	109	107
1 year to 5 years	371	397
Over 5 years	1,148	1,027
Subtotal (A)	**1,628**	**1,531**
Unearned future finance income on finance leases (B)	0	0
Net investment in finance leases (A)-(B)	**1,628**	**1,531**

Additional information (in EUR million)	**31/12/2013**	**31/12/2014**
Estimated fair value of finance leases	1,626	1,531

Operating leases

Future net minimum lease receivables under operating leases (in EUR million)	31/12/2013	31/12/2014
Less than 1 year	2	3
1 year to 5 years	3	7
Over 5 years	0	1
TOTAL	5	11

b. Group as lessee

Finance leases

None

Operating leases

Future net minimum lease payments under non-cancellable operating leases (in EUR million)	31/12/2013	31/12/2014
Less than 1 year	6	7
1 year to 5 years	25	24
TOTAL	31	31
Future minimum sublease payments expected to be received under non-cancelable subleases at the balance sheet date	1	1

Figures as at 31 December 2013 have been restated.

Lease and sublease payments recognised as expenses during the year (in EUR million)	31/12/2013	31/12/2014
Minimum lease payments	4	3
Sublease payments	0	0
TOTAL	4	3

2.12. Quality of financial assets

(in EUR million)	31/12/2013	31/12/2014
Analysis of performing financial assets		
Interbank loans and advances	8,913	8,223
Customer loans and advances	128,116	134,518
Financial assets held to maturity	384	255
Financial assets available-for-sale	29,094	26,395
Fixed revenue instruments	*28,819*	*26,238*
Variable revenue instruments	*275*	*157*
Other accounts receivable and other assets (note 2.7)	684	1 179
TOTAL PERFORMING FINANCIAL ASSETS	167,191	170,570
Collective impairment	(414)	(498)
NET TOTAL PERFORMING FINANCIAL ASSETS	166,777	170,072

(in EUR million)	Gross amount		Specific impairment		Net amount	
	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014
Analysis of impaired financial assets						
Customer loans and advances	1,386	1,158	(541)	(306)	845	852
Financial assets available-for-sale	204	215	(74)	(84)	130	131
Fixed revenue instruments	*69*	*72*	*(32)*	*(43)*	*37*	*29*
Variable revenue instruments	*135*	*143*	*(42)*	*(41)*	*93*	*102*
Other accounts receivable and other assets (note 2.7)	9	2	(9)	(2)	0	0
TOTAL	**1,599**	**1,375**	**(624)**	**(392)**	**975**	**983**
Analysis of performing and impaired financial assets						
Interbank loans and advances	8,913	8,223	0	0	8,913	8,223
Customer loans and advances	129,502	135,676	(541)	(306)	128,961	135,370
Financial assets held to maturity	384	255	0	0	384	255
Financial assets available-for-sale	29,298	26,610	(74)	(84)	29,224	26,526
Fixed revenue instruments	*28,888*	*26,310*	*(32)*	*(43)*	*28,856*	*26,267*
Variable revenue instruments	*410*	*300*	*(42)*	*(41)*	*368*	*259*
Other accounts receivable and other assets (note 2.7)	693	1,181	(9)	(2)	684	1,179
TOTAL FINANCIAL ASSETS	**168,790**	**171,945**	**(624)**	**(392)**	**168,166**	**171,553**
Collective impairment					(414)	(498)
NET TOTAL	**168,790**	**171,945**	**(624)**	**(392)**	**167,752**	**171,055**

2.13. Reclassification of financial assets (IAS 39 amended)

On 1 October 2008, 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". In 2013, "Financial assets held for trading" reclassified as "Financial assets available for sale" left the Group's portfolio as a result of their maturity or their disposal to external parties.

On 1 October 2014, Dexia Crédit Local also reclassified bonds from "Financial assets available for sale" to "Loans and advances".

Figures are those of the consolidated companies at the date of reclassification of the assets and still in the scope of consolidation at the closing date.

	31/12/2013						
(in EUR million)	Carrying amount of assets reclassified, at October 1, 2008	Carrying amount of reclassified assets as at December 31,2013	Fair value of reclassified assets as 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 amortisation through net income	Premium/ Discount amortisation 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

(in EUR million)	31/12/2014							
	Carrying amount of assets reclassified, at October 1, 2008	Carrying amount of reclassified assets, at October 1, 2014	Carrying amount of reclassified assets as at December 31, 2014	Fair value of reclassified assets at December 31, 2014	Amount not taken through profit or loss due to reclassification	Amount not taken through AFS Reserve due to reclassification	Premium/ Discount amortisation through net income	Premium/ Discount amortisation through AFS reserve
From "Financial assets held for trading" to "Loans and advances"	3,565		1,679	1,528	(151)		2	
From "Financial assets available for sale" to "Loans and advances"	49,504	2,543	44,899	42,789		(2,110)		148

On 1 October 2014, the Group identified "Financial assets available for sale", eligible under the amendment IAS 39 and which, at the reclassification date, met the conditions of classification in "Loans and advances", were no longer quoted on an active market and for which it had a clear change of intent and ability to hold for the foreseeable future rather than to exit or trade in the short term. The reclassifications were made at the fair value of the assets at the reclassification date. The effective interest rates at reclassification date on assets reclassified on 1 October 2014 ranged from 0.32% to 21.1%.The reimbursement amount of those assets reclassified as at 1 October 2014 amounted to EUR 2.6 billion. If these financial assets had not been reclassified, in 2014, there would have been a further positive movement of EUR 32 million in shareholders' equity, in "Gains and losses directly recognised in equity". The impact of this reclassification in the consolidated statement of income is limited to the impact in cost of risk for an amount about EUR -14 million.

IMPACT OF THE RECLASSIFICATION ON EQUITY AND RESULT

a. Transfer from "Financial assets held for trading" to "Loans and advances"

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 disclosed in the column "Premium/discount amortisation through profit or loss". At closing date, the difference between the carrying amount of reclassified assets and their fair value represents the cumulative changes in fair value from reclassification date until the closing date. It also includes the cumulative amortisation of the premium or discount since reclassification. In 2014 as well as in 2013, the difference is negative as spreads have increased.

b. Transfer from "Financial assets available for sale" to "Loans and advances"

The 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 use of collective as well as specific impairments. In 2014, a EUR 6 million charge was recorded as collective impairment (in 2013, the amount was EUR +10 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 carrying amount and the net present value of expected future cash flows, discounted at the effective interest rate as at the reclassification date is recognised as an impairment loss. Consequently, any unamortised outstanding amount recognised in the available-for-sale reserve is also recognised as an impairment loss. This category mainly includes non-economic losses that would have been reversed in the future through net interest income. The carrying amount of reclassified assets increases due to the mixed effects of, on the one hand the reclassification as at 1st October 2014, the decrease in interest rates leading to the increase of the hedged interest rate risk element and the appreciation of the USD against EUR generating an increase of the carrying amount of assets denominated in USD, and, on the other hand, from the decreases coming mainly from partial or early repayments, maturities or sales. 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 together with the discontinuation of the use of an internal model based on credit spread paramaters for the valuation of less liquid financial assets.

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, without any resulting impact on net interest income.

The impact on the interest margin due to reclassification of "Financial assets held for sale" to "Loans and advances" amounted to EUR 2 million in 2014 (EUR 3 million in 2013).

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.

Due to this retention, the transferred financial assets are not derecognised and the transfers are accounted for as secured financing transactions.

(in EUR million)	31/12/2013 Carrying amount of assets	31/12/2013 Carrying amount of associated liabilities	31/12/2014 Carrying amount of assets	31/12/2014 Carrying amount of associated liabilities
Loans and advances not derecognised due to following transactions:				
Repurchase agreements	11,509	11,228	22,828	19,904
TOTAL	**11,509**	**11,228**	**22,828**	**19,904**
Financial assets held to maturity not derecognised due to following transactions:				
Repurchase agreements	13	13	0	0
TOTAL	**13**	**13**	**0**	**0**
Financial assets available for sale not derecognised due to following transactions:				
Repurchase agreements	1,857	1,933	10,181	9,490
Total return swaps	400	483	0	0
TOTAL	**2,257**	**2,416**	**10,181**	**9,490**
Financial assets held for trading not derecognised due to following transactions:				
Repurchase agreements	130	139	83	83
TOTAL	**130**	**139**	**83**	**83**
TOTAL	**13,909**	**13,795**	**33,092**	**29,477**

3. Notes on the liabilities

3.0. Central banks (Item I - Liabilities)

(in EUR million)	31/12/2013	31/12/2014
Central banks [1]	34,274	33,845
TOTAL	**34,274**	**33,845**

(1) Given the scarcity of interbank liquidity, the Group continued to use in 2013 and 2014 the refinancing facilities offered by central banks.

3.1. Financial liabilities at fair value through profit or loss (Item II - Liabilities)

(in EUR million)	31/12/2013	31/12/2014
Liabilities designated at fair value	2,326	2,222
Derivatives (see note 4.1)	16,513	23,509
TOTAL	**18,839**	**25,731**

a. Analysis by nature of liabilities held for trading

Nil

b. Analysis by nature of liabilities designated at fair value

(in EUR million)	31/12/2013	31/12/2014
Non subordinated liabilities	2,326	2,222
TOTAL	**2,326**	**2,222**

c. Analysis by maturity and interest rate

Voir notes 7.4. et 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 tailored to the specific needs of the investor (GIC activities). The own credit spread is calculated based on a 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

(in EUR million)	31/12/2013	31/12/2014
Demand deposits	33	40
Repurchase agreements	16,766	29,811
Other debts	15,170	15,541
TOTAL	31,969	45,392

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

(in EUR million)	31/12/2013	31/12/2014
Demand deposits	2,198	1,617
Term deposits	5,017	4,829
Total customer deposits	**7,215**	**6,446**
Repurchase agreements	1	1
Other borrowings	1,374	1,511
Total customer borrowings	**1,375**	**1,512**
TOTAL	8,590	7,958

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

(in EUR million)	31/12/2013	31/12/2014
Certificates of deposit	28,201	19,495
Non-convertible bonds (1)	68,167	70,023
TOTAL (2) (3)	96,368	89,518

(1) As at 31 December 2014, the amount of covered bonds was EUR 21.2 billion (EUR 24.4 billion in 2013).
(2) As at 31 December 2014, the amount issued with the State guarantee was EUR 73 billion (EUR 76 billion in 2013), of which EUR 19 billion (EUR 19 billion in 2013) have been purchased 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)

(in EUR million)	31/12/2013	31/12/2014
Current tax liabilities	6	2
Deferred tax liabilities (see note 4.2)	40	63

3.6. Accruals and other liabilities (Item X - Liabilities)

(in EUR million)	31/12/2013	31/12/2014
Other liabilities	573	1,294
Cash collateral	5,124	5,856
TOTAL	**5,697**	**7,150**

Other liabilities

(in EUR million)	31/12/2013	31/12/2014
Accrued costs	34	39
Deferred income	32	33
Grants	83	76
Other assistance received	1	1
Salaries and social charges (payable)	9	12
Other taxes	18	20
Other accounts payable and other liabilities	395	1,113
TOTAL	**573**	**1,294**

3.7. Provisions (Item XIII - Liabilities)

a. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Litigation claims [1]	124	212
Restructuring	27	7
Defined benefit plans	7	15
Other long term employee benefits	2	2
Provision for off-balance sheet credit commitments	7	7
Onerous contracts	3	4
Other Provisions	2	10
TOTAL PROVISIONS	**173**	**257**

(1) This item includes a provision related to desensitisation of structured credits in France

b. Movements

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2013	**28**	**71**	**12**	**2**	**4**	**4**	**121**
Additions	101	2	1	6	0	2	112
Unused amounts reversed and amounts utilised 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 31 DECEMBER 2013	**124**	**28**	**9**	**7**	**3**	**2**	**173**

(in EUR million)	Litigation claims	Restructuring	Pensions and other employee benefits	Provision for off-balance-sheet credit commitments	Onerous contracts	Other provisions	Total
AS AT 1 JANUARY 2014	**124**	**28**	**9**	**7**	**3**	**2**	**173**
Additions	154	3	6	1	0	9	173
Unused amounts reversed and amounts utilised during the year	(66)	(24)	(4)	(1)	0	(1)	(96)
Actuarial gains and losses	0	0	6	0	0	0	6
Translation adjustement	0	0	0	0	1	0	1
AS AT 31 DECEMBER 2014	**212**	**7**	**17**	**7**	**4**	**10**	**257**

c. Provisions for pensions and other long-term benefits

After the sale of most of its operating subsidiaries, Dexia Crédit Local 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) represents less than 5% of consolidated equity. The provision for retirement and other employee benefits (actuarial liabilities less corresponding assets) amounts to EUR 17 million as at 31 December 2014 and EUR 9 million as at 31 December 2013.

3.8. Subordinated debt (Item XIV - Liabilities)

a. Analysis by nature

Convertible subordinated debt
Nil

Non convertible subordinated debt

(in EUR million)	31/12/2013	31/12/2014
Perpetual subordinated notes	0	0
Other subordinated notes	644	498
TOTAL	**644**	**498**

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	12/02/19	106.4	a) Repayment possible at each due date for interest payments beginning 12/02/2014 with the approval of the Secretary General 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	4.375 From 12/02/14 EURIBOR 3M + 72bps
EUR	9/07/17	252.1	a) Repayment possible at each due date for interest payments beginning 9/07/2012 with the approval of the Secretary General 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	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
EUR	1/06/17	12.3656	a) No early repayment b) No specific conditions c) No conversion	5.080
EUR	1/06/17	14.4475	a) No early repayment b) No specific conditions c) No conversion	4.875
EUR	1/06/18	17.6652	a) No early repayment b) No specific conditions c) No conversion	5.570
EUR	1/06/18	14.3057	a) No early repayment b) No specific conditions c) No conversion	5.625

Currency	Due	Amount in million	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
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 can be implemented unless a prior and written agreement was 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: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1.000.000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents. • payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. • 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) No conversion	LIBOR + 0.3 % From 15/01/22 to redemption date : LIBOR + 0.58 %

Currency	Due	Amount in million	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: (i) at the option of the Issuer following the occurrence of a Tax Redemption Event; (ii) at the option of the Issuer if the aggregate Adjusted Principal Balance of the outstanding Notes is less than 10% of the initial Principal Balance of all of the Notes; (iii) following early termination of the Credit Default Swap; (iv) following the early termination of the Cash Collateral Agreement or the Repo Agreement (if any) in circumstances where it is not replaced with an arrangement satisfactory to the Rating Agencies; or following the occurrence of a Note Event of Default and declaration by the Trustee that the Notes are due and repayable, the date designated for the redemption of the Notes upon the occurrence of such circumstances being an Early Redemption Date. **Early Redemption in Part** If the Actual Reference Portfolio Amount is an amount less than the then aggregate Adjusted Principal Balance of the Notes (such shortfall being the "Difference"), then the Issuer on any Note Payment Date, and provided that the Difference is a positive number equal or greater than GBP 1,000,000 (one million) may elect to redeem the Notes, in Order of Seniority, in part in an amount equal to such Difference. b) After enforcement of the security for the Notes under the Security Documents: • payments of principal and interest on the Class A Notes will be made in priority to payments of principal and interest on the Class B Notes and the Class C Notes. • 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) No conversion	LIBOR + 0.39 % From 15/1/22 to redemption date : LIBOR + 0.76 %

3.9 Information on Equity

a. Capital stock

The Extraordinary shareholder's meeting of Dexia Crédit Local, as of 16 December 2014 acted a capital decrease for the amount of EUR 1,062,374,436 by decrease of the par value of the shares.

Dexia Credit Local's share capital thus decreased from EUR 1,286,032,212 to EUR 223,657,776 by reducing the par value of its 223,657,776 shares from EUR 5.75 to EUR 1 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.

c. Other movements

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 Credit 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 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.

No other movements in 2014.

4. Other notes on the balance sheet

4.1. Derivatives

a. Analysis by nature

	31/12/2013		31/12/2014	
(in EUR million)	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss (see notes 2.1 and 3.1)	**16,546**	**16,513**	**22,400**	**23,509**
Derivatives designated as fair value hedges	5,045	19,629	7,270	29,734
Derivatives designated as cash flow hedges	146	819	190	1,298
Derivatives designated as portfolio hedges	754	1,817	914	2,800
Hedging derivatives	**5,945**	**22,265**	**8,374**	**33,832**
TOTAL DERIVATIVES	**22,491**	**38,778**	**30,774**	**57,341**

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

	31/12/2013				31/12/2014			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**237,223**	**236,857**	**14,330**	**15,823**	**240,923**	**240,300**	**20,070**	**22,483**
OTC options	964	762	250	15	1,019	798	324	21
OTC other	236,121	235,918	14,080	15,808	235,844	235,439	19,746	22,462
Organised market other	138	177	0	0	4,060	4,063	0	0
Equity derivatives	**10**	**10**	**0**	**0**	**4**	**4**	**0**	**0**
OTC other	10	10	0	0	4	4	0	0
Foreign exchange derivatives	**34,354**	**33,752**	**1,688**	**545**	**27,968**	**27,402**	**1,696**	**844**
OTC options	615	615	295	0	290	216	150	0
OTC other	33,739	33,137	1,393	545	27,678	27,186	1,546	844
Credit derivatives	**5,437**	**1,555**	**528**	**145**	**5,385**	**1,550**	**634**	**182**
Credit default swaps	5,437	1,555	528	145	5,385	1,550	634	182
TOTAL	**277,024**	**272,174**	**16,546**	**16,513**	**274,280**	**269,256**	**22,400**	**23,509**

c. Detail of derivatives designated as fair value hedges

	31/12/2013				31/12/2014			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**108,407**	**108,321**	**4,514**	**17,359**	**97,754**	**97,677**	**6,398**	**26,322**
OTC options	759	693	0	47	169	112	0	53
OTC other	107,648	107,628	4,514	17,312	97,585	97,565	6,398	26,269
Equity derivatives	**647**	**556**	**78**	**1**	**482**	**391**	**73**	**0**
OTC options	91	0	61	0	91	0	62	0
OTC other [1]	556	556	17	1	391	391	11	0
Foreign exchange derivatives	**9,178**	**9,350**	**453**	**2,269**	**9,015**	**8,805**	**799**	**3,412**
OTC other	9,178	9,350	453	2,269	9,015	8,805	799	3,412
TOTAL	**118,232**	**118,227**	**5,045**	**19,629**	**107,251**	**106,873**	**7,270**	**29,734**

(1) This position includes hedging derivatives for securities with revenues partly linked to the evolution of a basket of shares.

d. Detail of derivatives designated as cash flow hedges

	31/12/2013				31/12/2014			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Interest rate derivatives	**16,560**	**16,560**	**145**	**559**	**5,591**	**5,591**	**189**	**788**
OTC other	16,560	16,560	145	559	5,591	5,591	189	788
Foreign exchange derivatives	**422**	**587**	**1**	**260**	**1,112**	**1,254**	**1**	**510**
OTC other	422	587	1	260	1,112	1,254	1	510
TOTAL	**16,982**	**17,147**	**146**	**819**	**6,703**	**6,845**	**190**	**1,298**

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

Nil.

f. Detail of derivatives designated as portfolio hedges

	31/12/2013				31/12/2014			
	Notional amount		Assets	Liabilities	Notional amount		Assets	Liabilities
(in EUR million)	To receive	To deliver			To receive	To deliver		
Portfolio fair value hedges of interest rate risk	22,714	22,723	754	1,817	24,855	24,855	914	2,800
TOTAL	**22,714**	**22,723**	**754**	**1,817**	**24,855**	**24,855**	**914**	**2,800**

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4.2. Deferred taxes

a. Analysis by nature

(in EUR million)	31/12/2013	31/12/2014
Deferred tax assets	2,864	3,029
Unrecognised deferred tax assets	(2,822)	(2,988)
Recognised Deferred tax assets (see note 2.6) (1)	**42**	**41**
Deferred tax liabilities (see note 3.5) (1)	**(40)**	**(63)**
TOTAL	**2**	**(22)**

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

The effects of movements in deferred tax on net income and on unrealised or deferred gains and losses are analysed in note 5.11 "Income tax" and in the "Consolidated statement of comprehensive income" respectively.

b. Movements

(in EUR million)	2013	2014
AS AT 1 JANUARY	**(27)**	**2**
Charge/credit recognised in the income statement: "Income tax"	31	(8)
Movements directly recognised in shareholders' equity	(11)	(14)
Change in scope of consolidation	3	0
Translation adjustment	4	(3)
Other movements	2	1
AS AT 31 DECEMBER	**2**	**(22)**

c. Deferred taxes

	31/12/2013	31/12/2014
Deferred tax - assets	2,864	3,029
Deferred tax - liabilities	(40)	(63)
DEFERRED TAXES	**2,824**	**2,966**

Deferred taxes coming from assets of the balance sheet	**31/12/2013**		**31/12/2014**	
(in EUR million)	**Total**	**of which, change through profit or loss**	**Total**	**of which, change through profit or loss**
Loans (and loan loss provisions)	(578)	530	(1,414)	(1,007)
Securities	(700)	(149)	(1,394)	(664)
Derivatives	(2,350)	(1,863)	(1,131)	1,134
Tangible fixed assets and intangible assets	(11)	3	(10)	0
Accruals and other assets	4	2	(2)	(7)
TOTAL	**(3,635)**	**(1,477)**	**(3,951)**	**(544)**

Deferred taxes coming from liabilities of the balance sheet	**31/12/2013**		**31/12/2014**	
(in EUR million)	**Total**	**of which, change through profit or loss**	**Total**	**of which, change through profit or loss**
Derivatives	3,905	1,900	3,525	(253)
Borrowings, deposits and debt securities	1,110	(388)	1,747	637
Provisions	73	(21)	66	(9)
Pensions	4	(1)	4	0
Non-deductible provisions	(23)	173	22	45
Accruals and other liabilities	(40)	3	(64)	(13)
TOTAL	**5,029**	**1,666**	**5,300**	**407**

Deferred taxes coming from other elements (in EUR million)	31/12/2013 Total	31/12/2013 Of which, change through profit or loss	31/12/2014 Total	31/12/2014 Of which, change through profit or loss
Tax losses carried forward	1,457	160	1,632	147
Entity with special tax status	(27)	5	(15)	13
TOTAL	**1,430**	**165**	**1,617**	**160**
TOTAL DEFERRED TAXES	**2,824**		**2,966**	

d. Expiry date of unrecognised deferred tax assets

	31/12/2013			
Nature	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	(1,439)	(1,439)
Tax losses carried forward	(1,147)	(104)	(132)	(1,383)
TOTAL	**(1,147)**	**(104)**	**(1,571)**	**(2,822)**

	31/12/2014			
Nature	Between 1 to 5 years	Over 5 years	Unlimited maturity	Total
Temporary difference	0	0	(1,424)	(1,424)
Tax losses carried forward	(1,444)	0	(120)	(1,564)
TOTAL	**(1,444)**	**0**	**(1,544)**	**(2,988)**

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 Crédit Local'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 Crédit Local's transactions that are subject to ISDA Master Netting Agreements and Global Master Repurchase Agreements for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the counterparties.

"The Dexia Group Master Netting Agreement ("DGMNA") dated as of 2 November 2009 had been concluded between Dexia, 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 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.

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

	31/12/2013						
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives 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**

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

	31/12/2013						
	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	
Derivatives held for trading	38,415	0	38,415	(12,001)	(20,870)	(4,933)	611
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**

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

	31/12/2014						
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Net amounts of financial assets presented on the balance sheet			Net amounts
(in EUR million)				Impact of Master Netting Agreements and similar agreements	Cash collateral received	Financial instruments received as collateral	
Derivatives held for trading	29,000	0	29,000	(17,215)	(2,579)	0	9,206
Reverse repurchase and similar agreements	1,176	0	1,176	0	0	(1,176)	0
TOTAL FINANCIAL ASSETS IN SCOPE OF OFFSETTING DISCLOSURES	**30,176**	**0**	**30,176**	**(17,215)**	**(2,579)**	**(1,176)**	**9,206**

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

(in EUR million)	31/12/2014 Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Related amounts not set off on the balance sheet: Impact of Master Netting Agreements and similar agreements	Cash collateral given	Financial instruments given as collateral	Net amounts
Derivatives held for trading	57,219	0	57,219	(17,215)	(33,170)	(671)	6,163
Repurchase and similar agreements	28,976	0	28,976	0	(862)	(27,851)	264
TOTAL FINANCIAL LIABILITIES IN SCOPE OF OFFSETTING DISCLOSURES	86,195	0	86,195	(17,215)	(34,032)	(28,522)	6,427

4.4. Related-party transactions

a. Related-party transactions

	Parent company (Dexia)		Other related parties [1]	
(in EUR million)	2013	2014	2013	2014
Loans	415	0	0	0
Interest income on loans	3	0	0	0
Assets disposals	67	0	0	0
Losses on assets disposals	(9)	0	0	0
Borrowings	768	790	0	0
Interest expense on borrowings	(6)	(5)	0	0
Net commissions	0	0	(1)	0
Guarantees issued by the Group	0	0	0	0
Guarantees received by the Group	0	0	0	0

(1) This section includes transactions with legal entities included in Dexia Crédit Local's parent company (DEXIA SA) perimeter.

Since 31 December 2012, as a result of the capital increase subscribed by the Belgian and French States to the capital increase initiated by Dexia, Dexia Crédit Local's parent company, these shareholders have become the only two shareholders having a significant influence on Dexia Crédit Local.
Group transactions with these shareholders are described in 4.4 C. below. Persuant to IAS 24 § 25, the detail of loans, borrowings or commitments with the States Shareholders are not subject to a separate disclosure.
Loans to the key management have been granted at market conditions and their amount is not significant.

b. Compensation of key management personnel (*)

(in EUR million)	2013	2014
Short-term benefits [1]	2.5	3.1

Details per person are published in the compensation report on page 53 of this annual report.
(1) Includes salary, bonus and other benefits

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 and Dexia Crédit Local ("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 and Dexia Crédit Local", 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.

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 authorised 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 the 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 funding 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 funding having an initial maturity of less than 12 months, and
– decreased by a deduction in case of collateralisation of the States guarantee commitment.

2013 guarantee agreement

On 24 January 2013, the French, Belgian and Luxembourg States and Dexia and Dexia Crédit Local ("DCL") entered into a Guarantees Issuance Agreement, and granted an Independent Guarantee pursuant to such Guarantees Issuance Agreement in favour of Dexia Crédit Local (main issuer and main operating entity of the Group) pursuant to the Belgian royal decree of 19 December 2012 amending the royal decree of 18 October 2011 granting a State guarantee for certain loans of Dexia and Dexia Crédit Local SA, the French Enabling Law, as amended by the amending finance law n°2012-1510 of 29 December 2012 and the Luxembourg Enabling Law.

Pursuant to this 2013 Guarantee, the three States guarantee severally, but not jointly, the performance by DCL of their

repayment obligations resulting from certain financings provided by qualified, institutional or professional investors (within the meaning of the Guarantee), provided that these obligations arise from certain financings contracted or issued in the form of securities and financial instruments, deposits and borrowings (with a maximum maturity of ten years) between 24 January 2013 and 31 December 2021.
This Guarantee is effective immediately. It replaces the 2011 Temporary Guarantee which is terminated without retroactive effect and without prejudice to any rights arising pursuant to guaranteed obligations entered into or issued prior to the effectiveness of the Guarantee.
The States' several but not joint guarantee pursuant to this Agreement may not exceed a maximum aggregate limit of EUR 85 billion in principal, it being understood that the amounts which are so capped include outstanding guaranteed obligations pursuant to the Guarantee, the 2011 Temporary Guarantee, or any other guarantee granted pursuant to the Guarantees Issuance Agreement but exclude outstanding guaranteed obligations pursuant to the 2008 Guarantee Agreement described below.

The States guarantee the repayment obligations in the following proportion:
(i) 51.41% for the Belgian State (corresponding to a maximum amount of EUR 43.6985 billion);
(ii) 45.59% for the French State (corresponding to a maximum amount of EUR 38.7515 billion); and
(iii) 3.0% for the Luxembourg State (corresponding to a maximum amount of EUR 2.55 billion).

Pursuant to the Guarantee Issuance Agreement, the following guarantee fee is due to the States:
(i) an upfront commission equal to 0.50% of the EUR 85 billion limit, less the upfront commission already paid in connection with the 2011 Temporary Guarantee i.e. a balance of EUR 150 million.
(ii) a monthly fee, calculated at a rate per annum of 0.05% on the amount outstanding under the guaranteed obligations, both on the preexisting guaranteed amounts outstanding under the 2011 Temporary Guarantee and the new guaranteed amounts outstanding under guarantees issued in accordance with the Guarantees Issuance Agreement (it being understood that such monthly fee shall, with respect to the portion of the outstanding amount of the guaranteed obligations that would be held by BDF Gestion SA or by the Banque de France, the National Bank of Belgium, be calculated in accordance with the 2011 Temporary Guarantee Agreement (as long as the ECB accepts the all-in fee principle).

As is the case for the 2011 temporary guarantee, the outstanding amount of the guaranteed debt will be disclosed on a daily basis on the website of the National Bank of Belgium (http://www.nbb.be/DOC/DQ/warandia/index.htm).

As at 31 December 2014, the total outstanding amount of obligations guaranteed by the States pursuant to the 2011 Temporary Guarantee Agreement and the 2013 Guarantee Agreement was respectively EUR 311 million and EUR 72.7 billion. In 2014, Dexia paid a total monthly remuneration of EUR 38 million to the States for these guarantees.

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 guaranteed severally, but not jointly, the performance by Dexia, 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 guaranteed 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 had entered into an Operational Memorandum. This memorandum provided, 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 included:

(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 had 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 was 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 included:
(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).

All outstanding instruments issued pursuant to the 2008 Guarantee Agreement, as amended, before 30 June 2010 continued to benefit from such guarantee in accordance with their terms and conditions.

As of 28 May 2014, guaranteed obligations pursuant to the 2008 Guarantee Agreement, as amended by the three States, were entirely repaid, such that there is no outstanding guarantee obligation pursuant to this guarantee as at 31 December 2014.

In 2014, Dexia paid a total monthly remuneration of EUR 16 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 Dexia 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 warrants issued to the Belgian and French States at the general meeting of shareholders of 11 May 2011, 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 acquisitions in 2013 and 2014.

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.

2014

There were no significant disposals in 2014.

The assets and liabilities disposed of were as follows:	31/12/2013					
(EUR millions)	Dexia Municipal Agency	Dexia Kommunalkredit Bank Polska	Sofaxis	Domi-serve	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		
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)
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)			
NET ASSETS	**(9)**	**13**	**70**	**1**	**1**	**12**
Sale price	0	13	136	2	0	0
Less: cost of the transaction [1]	(9)		(3)			
Less: cash and cash equivalents in the subsidiary sold	(2,562)	(14)	(4)	(1)		(14)
NET CASH INFLOW (OUTFLOW) ON SALE	(2,570)	(1)	129	1	0	(14)

(1) Transaction cost on DMA: only part of the cost paid in 2013

4.6. Information on activities held for sale and discontinued operations

31/12/2013

Dexia Municipal agency was deconsolidated as at 1 January 2013.

a. Balance sheet

Nil

b. Income statement

	Dexia Municipal Agency
(in EUR million)	**2013**
Result on disposal	(143)
Result from discontinued operations, net of tax	**(143)**
Earnings per share	
Basic	(0.64)
Diluted	(0.64)

c. Net cash flows

(in EUR million)	Dexia Municipal Agency 2013
Net cash inflows from operating activities	
Net cash outflows from investing activities	(2,562)
Net cash inflows from financing activities	
TOTAL	**(2,562)**

31/12/2014

Nil

4.7. Share-based payments

Dexia stock option plans (number of options)	2013	2014
Outstanding at beginning of period	10,867,229	9,746,786
Expired during the period	(1,120,443)	(1,645,165)
Outstanding at the end of the period	**9,746,786**	**8,101,621**
Exercisable at the end of the period	**9,746,786**	**8,101,621**

2013				2014			
Range of exercise prices (EUR)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)	Range of exercise prices (EUR)	Number of outstanding options	Weighted-average exercise price (EUR)	Weighted-average remaining contractual life (years)
10.74 - 12.35	3,968,367	11.78	2.86	10.74 - 12.35	2,323,202	11.78	3.49
16.30 - 16.46	1,655,993	16.30	1.49	16.30 - 16.46	1,655,993	16.30	0.49
16.47 - 19.21	1,756,602	16.83	2.50	16.47 - 19.21	1,756,602	16.83	1.49
19.21 - 21.02	2,365,824	21.02	3.49	19.21 - 21.02	2,365,824	21.02	1.49
TOTAL	**9,746,786**			**TOTAL**	**8,101,621**		

4.8. Capital stock

	2013	2014
Number of shares authorised	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		
Par value of the share(2)	**5.75**	**1**
Outstanding as of January, 1st	223,657,776	223,657,776
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 treasury shares	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) In terms of deliberations as of 16 December 2014, the Extraordinary shareholder's meeting of Dexia Crédit Local acted a capital decrease for the amount of EUR 1,062,374,436 by reducing the par value of its shares.
The capital of the Company thus decreased from EUR 1,286,032,212 to EUR 223,657,776.

See note 4.7 Share-based payments

4.9. Exchange rates

The primary exchange rates are presented in the following schedule.

		31/12/2013		31/12/2014	
		Closing rate (1)	**Average rate (2)**	**Closing rate (1)**	**Average rate (2)**
Australian dollar	AUD	1.5412	1.3945	1.4838	1.4719
Canadian dollar	CAD	1.4651	1.3767	1.4052	1.4629
Swiss Franc	CHF	1.2273	1.2292	1.2028	1.2126
Czech Koruna	CZK	27.3620	26.0319	27.7120	27.5591
Danish Krone	DKK	7.4604	7.4578	7.4462	7.4547
British Pound Sterling	GBP	0.8333	0.8502	0.7778	0.8025
Hong-Kong dollar	HKD	10.6906	10.3198	9.4035	10.2480
Hungarian forint	HUF	297.1250	297.9588	316.5500	310.0546
Shekel	ILS	4.7746	4.7872	4.7095	4.7388
Japenese Yen	JPY	144.7050	130.2854	145.0350	140.5092
Won	KRW	1455.5800	1456.1658	1323.4450	1392.1204
Mexican Peso	MXN	18.0210	17.1175	17.8531	17.6480
Norwegian Krone	NOK	8.3790	7.8701	9.0510	8.3949
New Zealand dollar	NZD	1.6729	1.6299	1.5521	1.6002
Swedish Krona	SEK	8.8824	8.6681	9.4314	9.1145
Singapore dollar	SGD	1.7413	1.6677	1.6057	1.6775
New Turkish Lira	TRY	2.9644	2.5671	2.8287	2.8934
US Dollar	USD	1.3788	1.3304	1.2126	1.3213

(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 35 to 39.

5. Notes on the income statement

5.1 Interest income - Interest expense (Items I and II - Income statement)

(in EUR million)	2013	2014
Interest income	**14,392**	**11,667**
a) Interest income on assets not measured at fair value	**5,465**	**4,951**
Cash and central banks	7	22
Interbank loans and advances	331	206
Customer loans and advances	3,876	3,597
Financial assets available for sale	1,142	1,045
Financial assets held to maturity	22	16
Impaired assets	4	4
Other	83	61
b) Interest income on assets measured at fair value	**8,927**	**6,716**
Loans and securities held for trading	41	34
Loans and securities designated at fair value	1	1
Derivatives held for trading	5,470	4,377
Hedging derivatives	3,415	2,304
Interest expense	**(14,248)**	**(11,287)**
a) Interest expense on liabilities not measured at fair value	**(3,236)**	**(2,472)**
Interbank borrowings and deposits	(762)	(522)
Customer borrowings and deposits	(157)	(96)
Debt securities	(2,126)	(1,775)
Subordinated debt	(8)	(6)
Amounts covered by sovereign guarantees(1)	(165)	(65)
Other	(18)	(8)
b) Interest expense on liabilities measured at fair value	**(11,012)**	**(8,815)**
Liabilities held for trading	(1)	0
Liabilities designated at fair value	(131)	(106)
Derivatives held for trading	(5,658)	(4,599)
Hedging derivatives	(5,222)	(4,110)
Net interest income	**144**	**380**

(1) see note 4.4.c. Related-party transactions - Transactions with the Belgian, French and Luxembourg States

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5.2 Commissions (Items III and IV - Income statement)

	2013			2014		
(in EUR million)	Income	Expense	Net	Income	Expense	Net
Lending activity	12	(5)	7	10	(5)	5
Insurance activity and broking	25	(1)	24	0	0	0
Purchase and sale of securities	0	(5)	(5)	0	(3)	(3)
Payment services	0	(4)	(4)	0	(4)	(4)
Commissions paid to business providers	0	(1)	(1)	0	0	0
Services on securities other than custodial services	0	(2)	(2)	0	(2)	(2)
Custodial services	4	(1)	3	5	(1)	4
Issuance and placement of securities	3	0	3	2	0	2
Intermediation on repo and reverse repo	0	(18)	(18)	0	(12)	(12)
Other	11	(7)	4	2	(4)	(2)
TOTAL	**55**	**(44)**	**11**	**19**	**(31)**	**(12)**

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

5.3 Net gains (losses) on financial instruments at fair value through profit or loss (Item V - Income statement)

(in EUR million)	2013	2014
Net trading income	(93)	(65)
Net result of hedge accounting	(251)	(292)
Net result of financial instruments designated at fair value through profit or loss (1)	23	(7)
Change in own credit risk (2)	(77)	7
Change in fair value of derivatives attributable to counterparty risk (credit value adjustment)	(27)	(64)
Change in fair value of derivatives attributable to own credit risk (debit value adjustment)	106	61
Net result of foreign exchange transactions	(21)	17
TOTAL	**(340)**	**(343)**
(1) among which trading derivatives included in a fair value option strategy	(435)	151

(2) see also note 7.2.H. Credit risk on financial liabilities designated at fair value through profit or loss

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. In the absence of market standard, Dexia Crédit Local did not book any Funding Valuation Adjustment (FVA) as at 31 December 2014. Dexia Crédit Local will continue to improve its models in the next periods following market practice evolution and especially the convergence on valuation adjustments such as Funding Valuation Adjustment (FVA).

Analysis of net result of hedge accounting

(in EUR million)	2013	2014
Fair value hedges	**(249)**	**(289)**
Fair value changes of the hedged item attributable to the hedged risk	(5,664)	8,727
Fair value changes of the hedging derivatives	5,415	(9,016)
Cash flow hedges	**(1)**	**(1)**
Fair value changes of the hedging derivatives – ineffective portion	0	(1)
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	(1)	0
Portfolio hedge	**(1)**	**(2)**
Fair value changes of the hedged item	(389)	884
Fair value changes of the hedging derivatives	388	(886)
TOTAL	**(251)**	**(292)**
Discontinuation of cash flow hedge accounting (cash flows still expected to occur) - amounts recorded in interest margin	1	0

5.4 Net gains (losses) on financial assets available for sale (Item VI - Income statement)

(EUR million)	2013	2014
Dividends on securities available for sale	2	2
Net gain (loss) on disposals of financial assets available for sale [1]	23	28
Impairment of variable-income securities available for sale	(5)	(8)
Net gain (loss) on disposals of loans and advances	30	6
Net gain (loss) on disposals of debt securities	(6)	31
TOTAL	**44**	**59**

(1) Except for gains and losses on impaired fixed-income securities, which are included in cost of risk.

5.5 Other income (Item VII - Income statement)

(in EUR million)	2013	2014
Rental income	24	5
Litigations	5	18
Other income	9	1
TOTAL	**38**	**24**

5.6 Other expenses (Item VIII - Income statement)

(in EUR million)	2013	2014
Depreciation and amortisation on office furniture and equipment given in operational lease	(15)	0
Provisions for litigations	(91)	(136)
Operating taxes	0	(1)
Amortisation on investment property	(1)	0
Other expenses	(10)	(5)
TOTAL	**(117)**	**(142)**

5.7 Operating expenses (Item X - Income statement)

(in EUR million)	2013	2014
Payroll costs	(164)	(153)
General and administrative expenses	(169)	(190)
TOTAL	**(333)**	**(343)**

a. Payroll Costs

(in EUR million)	2013	2014
Compensation and salary expense	(151)	(118)
Social security and insurance expense	(39)	(32)
Employee benefits	(9)	(12)
Restructuring costs	38	19
Other	(3)	(10)
TOTAL	**(164)**	**(153)**

Employee information

	2013	2014
(Average full time equivalent)	Fully consoli-dated	Fully consoli-dated
Executive staff	22	24
Administrative staff	1,291	1,178
Non-administrative and other personnel	9	4
TOTAL	**1,322**	**1,206**

	2013						
(Average full time equivalent)	France	Italy	Spain	Other Europe	USA	Other non Europe	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**

	2014						
(Average full time equivalent)	France	Italy	Spain	Other Europe	USA	Other non Europe	Total
Executive staff	6	2	1	5	6	4	24
Administrative staff	670	174	34	122	134	44	1,178
Non-administrative and other personnel	0	0	0	0	4	0	4
TOTAL	**676**	**176**	**35**	**127**	**144**	**48**	**1,206**

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b. General and administrative expenses

(in EUR million)	2013	2014
Cost of premises	(4)	(4)
Rent expense [(1)]	(9)	(8)
Fees	(51)	(47)
Marketing, advertising and public relations	(5)	(5)
IT expense	(37)	(42)
Software, research and development	(5)	(11)
Maintenance and repair	(4)	(3)
Restructuring costs	2	0
Insurance (except related to pensions)	(6)	(9)
Stamp duty	(1)	(1)
Other taxes	(30)	(25)
Other general and administrative expenses	(19)	(35)
TOTAL	**(169)**	**(190)**

(1) This amount does not include IT equipment rental expenses, which are included in the "IT expense" line

5.8 Depreciation, amortisation and impairment of tangible fixed assets and intangible assets (Item XI - Income Statement)

Depreciation and amortisation (in EUR million)	2013	2014
Depreciation of land and buildings, office furniture and other equipment	(8)	(7)
Depreciation of other tangible fixed assets	(4)	(4)
Amortisation of intangible assets	(20)	(15)
TOTAL	**(32)**	**(26)**

Impairment (in EUR million)	2013	2014
Impairment on intangible assets	3	0
TOTAL	**3**	**0**

Losses or gains (in EUR million)	2013	2014
TOTAL	**(3)**	**0**
TOTAL	**(32)**	**(26)**

5.9 Cost of risk (Item XIII - Income Statement)

(in EUR million)	2013			2014		
	Collective impairment	Specific impairment and losses	Total	Collective impairment	Specific impairment and losses	Total
Credit (loans, commitments and securities held to maturity)	6	(213)	(207)	(75)	21	(54)
Fixed-income securities available for sale		10	10		(9)	(9)
TOTAL	**6**	**(203)**	**(197)**	**(75)**	**12**	**(63)**

Detail of collective and specific impairments

Collective impairement	2013			2014		
(in EUR million)	Additions	Recoveries	Total	Additions	Recoveries	Total
Loans and securities held to maturity	(207)	213	6	(155)	80	(75)
TOTAL	**(207)**	**213**	**6**	**(155)**	**80**	**(75)**

Specific impairment	2013				
(in 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)**

Specific impairment	2014				
(in EUR million)	Additions	Recoveries	Losses	Collections	Total
Customer loans and advances	(119)	379	(248)	0	12
Accruals and other assets	0	9	(1)	0	8
Off-balance-sheet commitments	0	1	0	0	1
TOTAL CREDIT	**(119)**	**389**	**(249)**	**0**	**21**
FIXED-INCOME SECURITIES	**(9)**				**(9)**
TOTAL	**(128)**	**389**	**(249)**	**0**	**12**

5.10 Net gains (losses) on other assets (Item XVI - Income statement)

(in EUR million)	2013	2014
Net gains (losses) on disposals of other fixed assets	3	(1)
Net gains (losses) on disposals of consolidated equity investments [1]	56	0
TOTAL	**59**	**(1)**

(1) In 2013, this item includes a gain of EUR 64 million on the sale of Sofaxis and an additional loss of EUR 6 million on Dexia Bail

5.11 Income tax (Item XIX - Income statement)

Detail of tax expense (in EUR million)	2013	2014
Income tax on current year	(48)	(11)
Deferred taxes on current year	16	(14)
TAX ON CURRENT YEAR RESULT (A)	**(32)**	**(25)**
Income tax on previous year	(11)	(16)
Deferred taxes on previous year	15	6
Provision for tax lititgations	(15)	17
OTHER TAX EXPENSE (B)	**(11)**	**7**
TOTAL (A) + (B)	**(43)**	**(18)**

Effective corporate income tax charge

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 results 2013 to 2015, and the fact that the recovery of deferred taxes extends to beyond 2015, 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 2014 is - 5.40%.
The difference with the French rate can be explained as follows:

(in EUR million)	2013	2014
Net income before tax	**(723)**	**(467)**
Tax base	**(723)**	**(467)**
Statutory tax rate	34.43%	34.43%
Theoretical corporate income tax at the standard rate	**249**	**161**
Impact of differences between foreign tax rates and the standard French tax rate	25	29
Tax effect of non-deductible expenses	(134)	(143)
Tax effect of non-taxable income	160	135
Impact of items taxed at a reduced rate	6	(18)
Tax effect of change in tax rates	4	0
Other additional taxes or tax savings (1)	(19)	(157)
Tax effect from reassessment of unrecognised deferred tax assets	(323)	(32)
Tax on current year	**(32)**	**(25)**
Effective tax rate	**-4.44%**	**-5.40%**

(1) This item includes the impact of the difference between tax basis and accounting value related to the merger of Dexia Kommnualkredit Bank and Dexia Crédit Local

Tax consolidation

Dexia SA établissement stable in France is the head of the tax group, consolidating together the following companies:

Dexia Crédit Local
GENEBUS Lease
CBX Gest
Dexia Flobail
CBX. IA 1
CBX. IA 2
DEXIARAIL
Dexia CLF Banque
DCL Evolution
Dexia CLF Régions Bail

Tax savings made by the tax group, as a result of losses, are recorded by Dexia 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.

	2013	2014
Net income, Group share (EUR million)	(904)	(478)
Weighted average number of ordinary shares (million)	224	224
Basic earnings per share (in EUR)	(4.04)	(2.14)
- of which, related to continuing activities	*(3.40)*	*(2.14)*
- of which, related to discontinued activities	*(0.64)*	*0.00*

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 share options granted to employees. 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.

	2013	2014
Net income, Group share (EUR million)	(904)	(478)
Weighted-average number of ordinary shares (million)	224	224
Adjustment for stock-options (million)	0	0
Weighted average number of ordinary shares used for the calculation of diluted earnings per share (million)	224	224
Diluted earnings per share (in EUR)	(4.04)	(2.14)
- of which, related to continuing activities	*(3.40)*	*(2.14)*
- of which, related to discontinued activities	*(0.64)*	*0.00*

6. Notes on off-balance sheet items

6.1. Regular way trade

(in EUR million)	31/12/2013	31/12/2014
Assets to be delivered	580	95
Liabilities to be received	859	313

6.2 Guarantees

(in EUR million)	31/12/2013	31/12/2014
Guarantees given to credit institutions	604	556
Guarantees given to customers	2,139	2,061
Guarantees received from credit institutions	1,295	180
Guarantees received from customers	15,774	17,412
Guarantees received from the States	76,702	74,428

6.3 Loan commitments

(in EUR million)	31/12/2013	31/12/2014
Unused lines granted to credit institutions	12	11
Unused lines granted to customers	4,027	2,969
Unused lines granted from credit institutions	15,984	6,474
Unused lines granted from customers	865	820

6.4 Other commitments

(in EUR million)	31/12/2013	31/12/2014
Banking activity - Commitments given	85,656	88,873
Banking activity - Commitments received	11,978	12,363

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7. Notes on risk exposure

7.0. Risk exposure and hedging strategy

We refer to chapter Risk Management of Management Report, pages 19 to 34.

7.1. Fair value

a. Fair value measurement and fair value hierarchy of financial instruments

We refer to note 1.1 Accounting policies and valuation methods, paragraph 1.1.7. Fair value of financial instruments

b. Fair value

The following tables compare fair value with carrying amount of financial instruments not measured at fair value.

	31/12/2013		
(in 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)

	31/12/2014		
(in EUR million)	Carrying amount	Fair value	Unrecognised fair value adjustment
Cash and central banks	3,103	3,103	0
Interbank loans and advances	8,209	8,084	(125)
Customer loans and advances	134,886	129,739	(5,147)
Financial assets held to maturity	255	272	17
Central banks	33,845	33,845	0
Interbank borrowings and deposits	45,392	45,387	(5)
Customer borrowings and deposits	7,958	7,945	(13)
Debt securities	89,518	90,469	951
Subordinated debt	498	494	(4)

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

	31/12/2013			
(in EUR million)	Level 1	Level 2	Level 3	Total
Cash and central banks(1)	0	1,542	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	**6,191**	**61,621**	**121,686**	**189,498**

(1) In the absence of observable values on the markets the level has been revised towards level 2

	31/12/2014			
(in EUR million)	Level 1	Level 2	Level 3	Total
Cash and central banks	0	3,103	0	3,103
Financial assets at fair value through profit and loss	0	19,958	4,256	24,214
** Loans and securities held for trading*	*0*	*0*	*1,787*	*1,787*
** Financial assets designated at fair value - bonds and other fixed-income instruments*	*0*	*0*	*27*	*27*
** Derivatives held for trading*	*0*	*19,958*	*2,442*	*22,400*
Hedging derivatives	0	7,138	1,236	8,374
Financial assets available for sale	14,133	9,647	2,747	26,527
** Financial assets available for sale - bonds*	*14,016*	*9,647*	*2,604*	*26,267*
** Financial assets available for sale - equities*	*117*	*0*	*143*	*260*
Interbank loans and advances	0	4,713	3,371	8,084
Customer borrowings and deposits	53	4,857	124,829	129,739
Financial assets held to maturity	21	0	251	272
TOTAL	**14,207**	**49,416**	**136,690**	**200,313**

Fair value of financial liabilities

	31/12/2013			
(in EUR million)	Level 1	Level 2	Level 3	Total
Central banks (1)	0	34,274	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	**0**	**123,940**	**87,956**	**211,896**

(1) In the absence of observable values on the markets the level has been revised towards level 2

	31/12/2014			
(in EUR million)	Level 1	Level 2	Level 3	Total
Central banks	0	33,845	0	33,845
Financial liabilities at fair value through profit and loss	0	23,069	2,662	25,731
** Financial liabilities designated at fair value*	0	*1,417*	*805*	*2,222*
** Derivatives held for trading*	0	*21,652*	*1,857*	*23,509*
Hedging derivatives	0	24,166	9,666	33,832
Interbank borrowings and deposits	0	23,976	21,411	45,387
Customer borrowings and deposits	0	6,260	1,685	7,945
Debt securities	0	73,502	16,967	90,469
Subordinated debt	0	22	472	494
TOTAL	**0**	**184,840**	**52,863**	**237,703**

d. Transfer between level 1 and level 2

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

	31/12/2013		31/12/2014	
	From 1 to 2	From 2 to 1	From 1 to 2	From 2 to 1
Financial assets available for sale - bonds	0	0	504	7,107
Financial assets available for sale - equities	0	0	0	69
TOTAL FINANCIAL ASSETS	**0**	**0**	**504**	**7,176**
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**

In 2013, there was no transfer between levels 1 and 2. Since 30 September 2014, after performing an analysis of the European Central Bank's recommendations following the asset quality review, Dexia Crédit Local has decided to discontinue the use of external and internal data in its valuation methods and to maximise the use of external market data. As such, assets previously valued partially with internal data are now valued using only external market data. As a consequence, there were transfers between levels 1 and 2.

e. Level 3 reconciliation

(in 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]	Changes in consolidation scope [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	17,017	(452)	(156)	530	(270)	(2,426)	0	(6,738) [3]	(208)	0	7,297
Financial assets available for sale - equities	332	1	(5)	0	(51)	0	0	0	(3)		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 disposal of the company.

(3) The Spanish covered bonds were reclassified from level 3 to level 2 as a result of an improvement in the market liquidity at the end of 2013.

(in EUR million)	2014 Ope-ning ba-lance	Total gains/ losses in P&L	Unrea-lised or defer-red gains/ losses	Purchase	Sale	Settle-ment	Transfer to level 3 (1)	Transfer out of level 3 (1)	Other move-ments (2)	Closing
Loans and securities held for trading	1,774	152	0	0	(210)	(27)	0	0	98	1,787
Financial assets designated at fair value - bonds and other fixed-income instruments	27	0	0	0	0	0	0	0	0	27
Derivatives held for trading	1,419	(78)	0	0	0	0	1,068	(1)	34	2,442
Hedging derivatives	653	224	0	0	0	0	450	(94)	3	1,236
Financial assets available for sale - bonds	7,297	221	206	29	(95)	(1,376)	623	(4,520)	219	2,604
Financial assets available for sale - equities	274	(1)	(124)	0	(13)	(2)	1	0	8	143
TOTAL FINANCIAL ASSETS	**11,444**	**518**	**82**	**29**	**(318)**	**(1,405)**	**2,142**	**(4,615)**	**362**	**8,239**
Financial liabilities designated at fair value	1,097	(15)	0	0	0	(409)	19	0	113	805
Derivatives held for trading	1,121	(39)	0	0	0	0	861	(86)	0	1,857
Hedging derivatives	1,418	830	0	0	0	(1)	7,513	(99)	5	9,666
TOTAL FINANCIAL LIABILITIES	**3,636**	**776**	**0**	**0**	**0**	**(410)**	**8,393**	**(185)**	**118**	**12,328**

*(1) * Financial assets available for sale - bonds: a carrying amount of about EUR 2.5 billion of illiquid bonds has been reclassified as at 1st October 2014 from "Available for Sale" to "Loans and advances", in accordance with the management intentions and with the requirements of the standard IAS 39 revised (see also note 2.13 Reclassification of financial assets). Furthermore, after analysis of the ECB's recommendations in the framework of its asset quality review, Dexia Crédit Local decided to discontinue the use of its internal model based on credit spread parameters and to switch to a fully market-based approach for bond fair valuation purposes. This also led to movements in the financial assets valued in level 3 for an amount of about 1.5 billion.*

** Derivatives: a methodological change was applied for the levels allocation, with a specific analysis of each market data used as input in rate models, regarding observability and liquidity. The change led to consider more derivatives as valued in level 3.*

(2) Other movements include notably the impact of changes in exchange rates during the year

f. Sensitivity of level 3 valuations to alternative assumptions

Dexia Crédit Local fair value applied to bonds and CDS classified in level 3 is partly based on unobservable parameters. 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;

Tests have been performed on all bonds and CDS classified in level 3. The main impacts are the following:
• For level 3 bonds in AFS, the sensitivity of the AFS reserve to alternative assumptions is estimated between a positive impact of EUR 33 million and a negative impact of EUR -33 million for 2014, while in 2013, it was estimated between a positive impact of EUR 151 million and a negative impact of EUR -31 million.
• Negative Basis Trades are considered as one single product, and are therefore tested for the bond and its related CDS together. The main 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 in 2014, the positive impact (unwinds cost of 2009) is EUR 5.1 million whereas the negative impact (unwinds cost of 2011) gives an impact of EUR -29.4 million. For 2013, the positive impact (unwinds cost of 2009) was +EUR 5.8 million whereas the negative impact (unwinds cost of 2011) gave an impact of EUR -31.6 million.

The impact of the credit spreads alternative assumptions on Dexia Crédit Local credit derivatives is estimated at EUR 27.4 million (positive scenario) versus EUR -29.8 million (negative scenario) before tax, while in 2013, it was estimated at EUR 2.7 million (positive scenario) versus EUR -2.8 million (negative scenario).

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

No DOP amounts were taken upfront as at 31 December 2014 and amounted 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 that Dexia Crédit Local is committed 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 regulation) 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 2014, Dexia Credit Local credit risk exposure amounts to EUR 172 billion.

a. Exposure by geographical region and by counterparty category

Exposure by geographic region

(in EUR million)	31/12/2013	31/12/2014
France	28,092	26,588
Belgium	3,829	3,059
Germany	21,937	21,307
Greece	216	156
Ireland	267	221
Italy	27,766	27,178
Luxembourg	130	153
Spain	19,923	18,955
Portugal	3,693	4,079
Hungary	1,306	1,102
Austria	1,732	1,481
Central and Eastern Europe	3,759	3,539
Netherlands	565	419
Scandinavian countries	1,035	1,113
Great Britain	16,742	17,854
Switzerland	536	553
Turkey	539	502
United States and Canada	26,552	28,639
South and Central America	715	584
Southeast Asia	1,062	990
Japan	6,002	5,839
Other (1)	6,762	7,369
TOTAL	**173,160**	**171,679**

(1) Includes supranational entities.

Exposure by category of counterparty

(in EUR million)	31/12/2013	31/12/2014
Central governments	26,636	28,148
Local public sector (1)	90,460	86,526
Financial institutions	25,913	26,977
Corporates	5,798	5,511
Monoline	3,143	3,232
ABS/MBS	6,717	6,524
Project finance	14,493	14,761
TOTAL	**173,160**	**171,679**

(1) As at 31 December 2013, this category includes: EUR 82 million on Greece, EUR 60 million on Hungary, EUR 11,604 million on Italy, EUR 1,805 million on Portugal and EUR 9,281 million on Spain and as at 31 December 2014, this category includes: EUR 72 million on Greece, EUR 31 million on Hungary, EUR 11,125 million on Italy, EUR 1,788 million on Portugal and EUR 7,929 million on Spain.

b. Maximum credit risk exposure by class of financial instruments

	31/12/2013		31/12/2014	
(in EUR million)	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)	28,794	0	26,227	0
Financial assets designated at fair value (excluding variable income securities)	27	0	27	0
Financial assets held for trading (excluding variable income securities)	1,774	0	1,787	0
Derivatives held for trading	3,817	3,582	4,900	3,678
Hedging derivatives	333	1,095	223	1,704
Financial assets held to maturity	384	0	255	0
Loans and advances (at amortised cost)	127,438	949	125,514	1,557
Other financial instruments	931	0	1,221	0
Loans commitments granted	4,028	0	2,962	0
Guarantee commitments granted	5,634	13,818	8,564	29,476
TOTAL	**173,160**	**19,445**	**171,679**	**36,415**

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's regulation 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 standard) or external ratings. Indeed, Dexia Crédit Local 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, except for ABS positions for which credit risk is calculated in accordance to the Ratings based Approach, based on external ratings (Fitch, Standard & Poors or Moody's) and part of its portfolio where credit risk exposure is calculated in accordance with the Basel Standard Method.

	31/12/2013				
(in EUR million)	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 amortised 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	**61,585**	**86,091**	**21,904**	**1,394**	**170,974**

	31/12/2014				
(in EUR million)	AAA to AA-	A+ to BBB-	Non investment grade	Unrated	Total
Financial assets available for sale (excluding variable income securities)	4,653	17,671	3,896	0	26,220
Financial assets designated at fair value (excluding variable income securities)	0	6	20	0	27
Financial assets held for trading (excluding variable income securities)	282	1,463	42	0	1,787
Derivatives held for trading	908	3,020	677	18	4,623
Hedging derivatives	62	54	105	0	220
Financial assets held to maturity	46	208	0	0	255
Loans and advances (at amortised cost)	55,300	52,833	15,401	438	123,973
Other financial instruments	231	1	1	975	1,208
Loans commitments granted	1,781	897	179	1	2,857
Guarantee commitments granted	1,184	6,858	444	52	8,537
TOTAL	**64,448**	**83,011**	**20,764**	**1,484**	**169,707**

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”.

	31/12/2013			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(in 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 amortised cost)	199	52	478	1,386
Other financial instruments	0	0	110	9
TOTAL	**199**	**52**	**588**	**1,464**

	31/12/2014			
	Past-due but not impaired financial assets			Carrying amount of individually impaired financial assets, before deducting any impairment loss
(in 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	72
Loans and advances (at amortised cost)	183	28	474	1,158
Other financial instruments	0	0	188	2
TOTAL	**183**	**28**	**662**	**1,232**

Forbearance

Regarding Dexia Credit Locals's activities, restructured loans include 3 different types of restructuring:

1. Restructuring related to commercial relationships with customers, which represented almost all restructuration’s until 2011;
2. Restructuring related to litigations, mainly on structured loans, with customers without any financial difficulties;
3. Restructuring related to financial difficulties of the counterparty both under normal relationship or under litigations.

In accordance wih the EBA's definition of Forbearance, only the 3rd case is considered as forborne loan in the context of this analysis. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

Total assets include around EUR 1 billion of forborne assets as at 31 December 2014. This amount was about EUR 0.8 billion as at 31 December 2013.

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

There are no assets of this type in 2013 nor 2014.

f. Movements on impairment on financial assets

(in EUR million)	2013 As at 1 January	Additions	Reversals	Utilisation	Other [1]	As at 31 December	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Specific impairment	**(565)**	**(286)**	**168**	**44**	**15**	**(624)**	**3**	**(130)**
Customer loans and advances	(389)	(279)	110	5	12	(541)	0	(54)
Available for sale securities	(158)	(5)	49	39	1	(74)	0	(76)
Fixed revenue instruments	*(119)*	*0*	*49*	*37*	*1*	*(32)*	*0*	*(76)*
Variable revenue instruments	*(39)*	*(5)*	*0*	*2*	*0*	*(42)*	*0*	*0*
Other accounts and receivables	(18)	(2)	9	0	2	(9)	3	0
Collective impairment	**(423)**	**(207)**	**213**	**0**	3	**(414)**		
Interbank loans and advances	(7)	(5)	7	0	0	(5)		
Customer loans and advances	(416)	(202)	206	0	3	(409)		
TOTAL	**(988)**	**(493)**	**381**	**44**	**18**	**(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.

(in EUR million)	2014 As at 1 January	Additions	Reversals	Utilisation	Other[1]	As at 31 December	Recoveries directly recognised in profit or loss	Charge-offs directly recognised in profit or loss
Specific impairment	**(624)**	**(135)**	**365**	**31**	**(29)**	**(392)**	**1**	**(249)**
Customer loans and advances	(541)	(118)	357	20	(24)	(306)	0	(248)
Available for sale securities	(74)	(17)	0	11	(4)	(84)	0	0
Fixed revenue instruments	*(32)*	*(9)*	*0*		*(2)*	*(43)*	*0*	*0*
Variable revenue instruments	*(42)*	*(8)*	*0*	*11*	*(2)*	*(41)*	*0*	0
Other accounts and receivables	(9)	0	8	0	(1)	(2)	1	(1)
Collective impairment	**(414)**	**(155)**	**79**	**0**	**(8)**	**(498)**		
Interbank loans and advances	(5)	(11)	2	0	0	(14)		
Customer loans and advances	(409)	(144)	77	0	(8)	(484)		
TOTAL	**(1,038)**	**(290)**	**444**	**31**	**(37)**	**(890)**	**1**	**(249)**

(1) Other adjustments include notably the impact of changes in exchange rates during the year.

g. Credit risk information on loans and receivables designated at fair value through profit or loss

Dexia Crédit Local no longer holds loans and advances designated at fair value through profit or loss.

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

(in 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 contractually amount required to be paid at maturity(1)
As at 31 December 2013	2,326	82	(104)	285
As at 31 December 2014	2,221	(21)	(125)	485

(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

	2013		2014	
(in Eur million)	Fair value of collateral held	Fair value of collateral sold or repledged	Fair value of collateral held	Fair value of collateral sold or repledged
Debt securities	589	550	1,640	1,628
TOTAL	**589**	**550**	**1,640**	**1,628**

Figures 2013 have been restated

Collateral is obtained in connection with the repurchase agreement activities.

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

(in Eur million)	2013	2014
Carrying amount of financial assets pledged as collateral for liabilities	106,149	120,812

The amount of EUR 106 billion in 2013 and EUR 121 billion in 2014 represents the amount of liquidity paid over as collateral for derivatives and assets pledged as collateral for funding received from the Eurosystem, the European Investment Bank, agreements for the temporary lending of stocks or other secured funding. This amount includes neither the assets guaranteeing the covered bonds 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 33 billion in 2014 (EUR 34 billion in 2013).

7.4. Interest-rate repricing risk: breakdown by remaining maturity until next refixing interest rate

Demand 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 observed behavorial data.

a. Analysis of assets

	31/12/2013									
(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	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
of which trading derivatives							*1,210*	*15,336*		*16,546*
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	384
Accruals and other assets	4	536	149	0	0	26,575	5	0	(9)	27,260
of which paid cash collateral						*26,537*	*5*			*26,542*
Subtotal financial assets used to calculate the gap	*3,109*	*40,219*	*33,513*	*19,837*	*60,328*	*26,813*				
Non-financial assets						437		0	0	437
TOTAL	**3,109**	**40,219**	**33,513**	**19,837**	**60,328**	**27,250**	**3,305**	**35,110**	**(1,037)**	**221,634**

The figures of 2013 have been restated to disclose paid cash collaterals in undetermined maturity

b. Analysis of liabilities excluding shareholders' equity

	31/12/2013								
(in EUR million)	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	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
of which trading derivatives							*1,080*	*15,433*	*16,513*
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 borrowings 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
Accruals and other liabilities	19	324	24	31	98	5,198	3		5,697
of which received cash collateral						*5,123*	*1*		*5,124*
Subtotal financial liabilities used to calculate the gap	*2,135*	*95,517*	*22,872*	*29,965*	*18,828*	*5,198*			
Non-financial liabilities						219			219
TOTAL	**2,135**	**95,517**	**22,872**	**29,965**	**18,828**	**5,417**	**4,072**	**40,290**	**219,096**

The figures of 2013 have been restated in order to disclose received cash collaterals in undetermined maturity

c. Balance-sheet sensitivity gap as at 31/12/2013

(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	974	(55,298)	10,641	(10,128)	41,500	21,615

Balance-sheet sensitivity gap is hedged through derivatives.

a. Analysis of assets

(in EUR million)	31/12/2014 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	3,103	0	0	0	0	0	0			3,103
Financial assets at fair value through profit or loss	0	1,324	92	26	20	0	1,148	21,604		24,214
of which trading derivatives							*1,142*	*21,258*		*22,400*
Hedging derivatives							677	7,697		8,374
Financial assets available for sale	16	3,371	1,326	4,406	12,272	854	422	3,943	(84)	26,526
Interbank loans and advances	719	2,967	717	2,271	850	0	30	669	(14)	8,209
Customer loans and advances	133	30,597	28,968	11,168	43,507	0	795	20,508	(790)	134,886
Fair value revaluation of portfolio hedge								1,910		1,910
Financial assets held to maturity	0	4	50	199	0	0	2		0	255
Accruals and other assets	7	1,052	130	0	0	37,063	0	0	(2)	38,250
of which paid cash collateral						*37,033*	*0*			*37,033*
Subtotal financial assets used to calculate the gap	*3,978*	*39,315*	*31,283*	*18,070*	*56,649*	*37,917*				
Non-financial assets						437		(1)		436
TOTAL	**3,978**	**39,315**	**31,283**	**18,070**	**56,649**	**38,354**	**3,074**	**56,330**	**(890)**	**246,163**

b. Analysis of liabilities excluding shareholders' equity

(in EUR million)	31/12/2014 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	33,505	0	0	0	0	340		33,845
Financial liabilities at fair value through profit and loss	0	10	310	180	1,213	0	1,078	22,940	25,731
of which trading derivatives							*1,054*	*22,455*	*23,509*
Hedging derivatives							1,385	32,447	33,832
Interbank borrowings and deposits	66	36,911	4,573	2,724	1,038	0	67	13	45,392
Customer borrowings and deposits	2,164	1,996	2,433	756	519	0	31	59	7,958
Debt securities	1	24,799	21,957	22,014	14,529	0	703	5,515	89,518
Fair value revaluation of portfolio hedge								227	227
Subordinated debts	0	399	0	59	32	0	3	5	498
Accruals and other liabilities	11	1,156	28	30	65	5,859	1		7,150
of which received cash collateral						*5,855*	*1*		*5,856*
Subtotal financial liabilities used to calculate the gap	*2,242*	*98,776*	*29,301*	*25,763*	*17,396*	*5,859*			
Non-financial liabilities						322			322
TOTAL	**2,242**	**98,776**	**29,301**	**25,763**	**17,396**	**6,181**	**3,608**	**61,206**	**244,473**

c. Balance-sheet sensitivity gap as at 31/12/2014

(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	1,736	(59,461)	1,982	(7,693)	39,253	32,058

Balance-sheet sensitivity gap is hedged through derivatives.

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.

Value at Risk of Market Activities

The table below shows the details of VaR used for market activities, excluding the bond portfolio. At the end of December 2014, total VaR consumption stood at EUR 13.3 million, compared with EUR 12.2 million at the end of 2013, a level lower than the global limit of EUR 40 million.

The Dexia Crédit Local trading portfolio is composed of two groups of activity:

– transactions initiated by financial instrument trading activities until the date on which the Group was placed in orderly resolution, mostly covered back-to-back;

– transactions intended to hedge transformation risks on the balance sheet, and in particular the liquidity gap on currencies, but for which there is no documentation of an accounting hedge relationship under IFRS standards.

The main risk factors of the trading portfolio are:

- cross currency basis swap risk,
- basis risk BOR-OIS.

VALUE AT RISK OF MARKET ACTIVITIES

(in EUR million)	2013				
VaR (10 days, 99 %)	By risk factor			Overall	
	Interest rate and currency *(Banking and Trading)*	Spread *(Trading)*	Other risks(1)		Limit
Average	2.6	7.2	0.4	10.2	40
Period end	6.4	5.6	0.3	12,2	
Maximum	7.8	8.4	0.7	14.9	
Minimum	0.7	5.6	0.2	8.2	

(1) Other risks: inflation, CO_2, commodities.

VALUE AT RISK OF MARKET ACTIVITIES

(in EUR million)	2014				
VaR (10 days, 99 %)	**By risk factor**			**Overall**	
	Interest rate and currency *(Banking and Trading)*	**Spread *(Trading)***	**Other risks**		**Limit**
Average	6.7	5.3	0.2	12.1	40
Period end	8.3	4.7	0.3	13.3	
Maximum	8.3	5.8	0.4	13.3	
Minimum	5.4	4.7	0.0	11.0	

b. Balance Sheet Management (BSM)

Interest rate risk is measured via sensitivity. Risk sensitivity measures reflect balance sheet exposure to a 1% movement on 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 overall and partial sensitivities by time bucket are the main risk indicators used by the ALM risk committees, organised within the Management Board, to manage risk. The Dexia Crédit Local Group's structural interest rate risk is mainly concentrated on European long-term interest rates, and arises from the imbalance between Dexia Crédit Local's assets and liabilities after hedging for interest rate risk..

SENSITIVITY AND LIMITS OF LONG TERM ALM

(in EUR million)	2013	2014
Sensitivity	+ 10.5	- 14.2
Limit	+/- 96	+/- 80

Figures 2013 of the sensitivity have been restated

The sensitivity of long term ALM amounted to EUR -14.2 million as at 31 December 2014 against EUR +10.5 million as at 31 December 2013. It complies with the ALM strategy, which seeks to minimise the volatility of the income statement.

c. Dexia banking bond portfolio exposure

(in EUR billion)	2013	2014
Outstanding	75	72

***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.
The reduction of sensitivity compared to the end of 2013 is essentially due to the reclassification of illiquid assets to the category "Loans and advances" on 1 October 2014.

(in EUR million)	2013	2014
Sensitivity	(23)	(20)

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

	31/12/2013									
(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
Cash and central banks	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
of which trading derivatives							*1,210*	*15,336*		*16,546*
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	384
Accruals and other assets	4	535	149	0	1	26,575	5	0	(9)	27,260
of which paid cash collateral						*26,537*	*5*			*26,542*
Subtotal financial assets used to calculate the gap	*3,109*	*5,746*	*7,882*	*36,091*	*104,179*	*26,813*				
Non-financial assets						437			0	437
TOTAL	**3,109**	**5,746**	**7,882**	**36,091**	**104,179**	**27,250**	**3,305**	**35,110**	**(1,038)**	**221,634**

The figures of 2013 have been restated to disclose paid cash collaterals in undetermined maturity

2. Analysis of liabilities excluding shareholders' equity

	31/12/13								
(in EUR million)	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
of which trading derivatives							*1,080*	*15,433*	*16,513*
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 borrowings 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
Accruals and other liabilities	19	321	24	31	100	5,199	3		5,697
of which received cash collateral						*5,123*	*1*		*5,124*
Subtotal financial liabilities used to calculate the gap	*2,087*	*27,132*	*36,298*	*76,500*	*27,299*	*5,199*			
Non-financial liabilities						219			219
TOTAL	**2,087**	**27,132**	**36,298**	**76,500**	**27,299**	**5,418**	**4,072**	**40,290**	**219,096**

The figures of 2013 have been restated to disclose received cash collaterals in undetermined maturity

Net liquidity gap as at 31 December 2013 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undeter-mined maturity
	1,022	(21,386)	(28,416)	(40,409)	76,880	21,614

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

(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Impairment	Total
	31/12/2014									
Cash and central banks	2,634	469	0	0	0	0	0			3,103
Financial assets at fair value through profit or loss	0	6	139	132	1,185	0	1,148	21,604		24,214
of which trading derivatives							*1,142*	*21,258*		*22,400*
Hedging derivatives							677	7,697		8,374
Financial assets available for sale	17	1,414	1,264	4,923	13,773	853	422	3,944	(84)	26,526
Interbank loans and advances	719	1,262	384	3,367	1,791	0	30	670	(14)	8,209
Customer loans and advances	38	2,960	5,109	21,322	84,945	0	795	20,508	(791)	134,886
Fair value revaluation of portfolio hedge								1,910		1,910
Financial assets held to maturity	0	4	50	199	0	0	2	0	0	255
Accruals and other assets	6	379	130	0	673	37,063	0	0	(1)	38,250
of which paid cash collateral						*37,033*	*0*			*37,033*
Subtotal financial assets used to calculate the gap	*3,414*	*6,494*	*7,076*	*29,943*	*102,367*	*37,916*				
Non-financial assets						437		(1)	0	436
TOTAL	**3,414**	**6,494**	**7,076**	**29,943**	**102,367**	**38,353**	**3,074**	**56,332**	**(890)**	**246,163**

2. Analysis of liabilities excluding shareholders' equity

(in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity	Accrued interest	Fair value adjustment	Total
	31/12/2014								
Central banks	0	33,505	0	0	0	0	340	0	33,845
Financial liabilities at fair value through profit and loss	0	10	309	172	1,222	0	1,078	22,940	25,731
of which trading derivatives							*1,054*	*22,455*	*23,509*
Hedging derivatives							1,385	32,447	33,832
Interbank borrowings and deposits	103	10,710	1,882	24,691	7,926	0	67	13	45,392
Customer borrowings and deposits	2,164	1,842	2,108	883	871	0	31	59	7,958
Debt securities	1	16,169	18,243	30,592	18,295	0	703	5,515	89,518
Fair value revaluation of portfolio hedge								227	227
Subordinated debts	0	0	0	436	54	0	3	5	498
Accruals and other liabilities	11	840	28	30	68	6,172	1		7,150
of which received cash collateral						*5,855*	*1*		*5,856*
Subtotal financial liabilities used to calculate the gap	*2,279*	*63,076*	*22,570*	*56,804*	*28,436*	*6,172*			
Non-financial liabilities						322			322
TOTAL	**2,279**	**63,076**	**22,570**	**56,804**	**28,436**	**6,494**	**3,608**	**61,206**	**244,473**

Net liquidity gap as at 31 December 2014 (in EUR million)	Demand	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undetermined maturity
	1,135	(56,582)	(15,494)	(26,861)	73,931	31,744

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 Credit Local Group's liquidity are described in the Management Report, chapter "Information on capital and liquidity".

7.7. Currency risk

Classification by original currency

	31/12/2013				
(in EUR million)	EUR	Other EU currencies	US 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**

Classification by original currency

	31/12/2014				
(in EUR million)	EUR	Other EU currencies	US dollars	Other currencies	Total
Total assets	168,262	26,708	35,082	16,111	246,163
Total liabilities and shareholders' equity	173,738	18,562	43,915	9,948	246,163
NET BALANCE SHEET POSITION	**(5,476)**	**8,146**	**(8,833)**	**6,163**	**0**

8. Segment and geographic reporting

a. Segment reporting

Having completed its commercial entity disposal programme as required under the resolution plan, Dexia and Dexia Crédit Local are now focused on managing their residual assets in run-off, protecting the interests of the Group's State shareholders and guarantors.

In line with the Group's profile and strategy, Dexia Crédit Local's performance is now shown at a consolidated level on the basis of a single division entitled "Management of activities in run-off", without specific allocation of funding and operating expenses by segment of activity.

This analytical presentation of performance is in line with Dexia Crédit Local's structure no longer consisting of homogenous operating units with their own decision-taking power in terms of resource allocation (funding and operating expenses). Consequently, operating charges must be considered globally and by geographic entity to ensure optimum management.

b. Geographic reporting

(millions d'EUR)	France	Germany	Spain	Ireland	Italy	USA	Israël	Other	Total
As at 31 december 2013									
NET BANKING INCOME	**(187)**	**(55)**	**(2)**	**55**	**9**	**(84)**	**28**	**16**	**(220)**
As at 31 december 2014									
NET BANKING INCOME	**(286)**	**41**	**47**	**137**	**14**	**(23)**	**30**	**6**	**(34)**

Statutory Auditors' report on the consolidated financial statements

For the year ended 31 December 2014

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, 2014, on:

– the audit of the accompanying consolidated financial statements of Dexia Credit 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, 2014 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 Credit Local have been prepared on a going concern basis.

- Note 1 (§ 1.1.2.1) to the consolidated financial statements, relating to the application of the IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of interests in other entities) and the amendment to IAS 28 (Investments in Associates and Joint Ventures).

- Note 1 (§ 1.1.2.1) to the consolidated financial statements relating to the application of the amendment of IAS 32 relating to offsetting of financial assets and financial liabilities.

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

Your Company, as mentioned in note 1.1.7 to the financial statements, uses methodologies and internal 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 1.1.6.5 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.

Provisions for legal risks

As mentioned in notes 1.1.22 and 3.7 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.

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 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, 31 March 2015

French original signed by the Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Franck BOYER	Claire GUEYDAN-BRUN	Charlotte VANDEPUTTE	Pascal COLIN

Financial statements

Balance sheet

Assets

(in EUR million)		Note	As at 31/12/2013	As at 31/12/2014
I.	Cash, central banks and postal checking accounts	*2.1*	1,077	2,548
II.	Government securities	*2.2*	2,939	3,576
III.	Interbank loans and advances	*2.3*	34,525	28,083
IV.	Customer loans and advances	*2.4*	36,734	35,119
V.	Bonds and other fixed-income securities	*2.5*	40,620	39,465
VI.	Equities and other variable-income securities	*2.6*	182	186
VII.	Long-term equity investments	*2.7*	1,173	1,176
VIII.	Intangible assets	*2.8*	25	18
IX.	Tangible fixed assets	*2.9*	6	5
X.	Unpaid capital		0	0
XI.	Uncalled capital		0	0
XII.	Treasury stock		0	0
XIII.	Other assets	*2.10*	19,511	27,223
XIV.	Accruals	*2.10*	8,941	11,224
TOTAL ASSETS			**145,733**	**148,623**

Liabilities and equity

(in EUR million)		Note	As at 31/12/2013	As at 31/12/2014
I.	Interbank borrowings and deposits	*3.1*	42,484	48,643
II.	Customer deposits	*3.2*	241	101
III.	Debt securities	*3.3*	84,490	79,219
IV.	Other liabilities	*3.4*	4,098	4,687
V.	Accruals	*3.4*	10,607	12,772
VI.	Provisions for risks and charges	*3.5*	1,346	1,682
VII.	General banking risks reserve		0	0
VIII.	Subordinated debt	*3.6*	539	434
EQUITY		*3.7*	**1,928**	**1,085**
IX.	Capital stock		1,286	224
X.	Additional paid-in capital		1,885	1,885
XI.	Reserves and retained earnings		(1,218)	(277)
XVII.	Net income (loss) for the year		(25)	(747)
TOTAL LIABILITIES AND EQUITY			**145,733**	**148,623**

Off-balance sheet items

(in EUR million)		Note	As at 31/12/2013	As at 31/12/2014
COMMITMENTS GIVEN				
I.	Financing commitments given	*4.1*	9,980	10,069
II.	Guarantee commitments given	*4.2*	37,542	39,066
III.	Other commitments given	*4.3*	59,981	46,455
COMMITMENTS RECEIVED				
IV.	Financing commitments received	*4.4*	9,448	6,476
V.	Guarantee commitments received	*4.4*	21,140	21,944
VI.	Commitments related to securities	*4.5*	876	66
VII.	Commitments related to foreign currency transactions	*4.6*	81,590	72,385
VIII.	Commitments related to forward and derivative financial instruments	*4.7*	281,467	292,483

Income statement

(in EUR million)		Note	As at 31/12/2013	As at 31/12/2014
I.	Interest income	5.1	9,560	3,087
II.	Interest expense	5.1	(9,228)	(2,772)
III.	Income from variable-income securities	5.2	18	2
IV.	Fee and commission income	5.3	2	2
V.	Fee and commission expenses	5.3	(26)	(22)
VI. A	Net gains (losses) on held-for-trading portfolio transactions	5.4	(177)	(75)
VI. B	Net gains (losses) on available-for-sale portfolio transactions	5.4	(83)	(685)
VI. C	Net gains (losses) on held-to-maturity portfolio transactions		0	0
VII.	Other banking income	5.8	4	1
VIII.	Other banking expenses	5.8	0	(1)
NET BANKING INCOME (LOSS)			**70**	**(463)**
IX.	General operating expenses	5.5	(222)	(259)
X.	Depreciation and amortisation		(13)	(9)
GROSS OPERATING INCOME (LOSS)			**(165)**	**(731)**
XI.	Cost of risk	5.6	225	(21)
OPERATING INCOME (LOSS) AFTER COST OF RISK			**60**	**(752)**
XII.	Net gains (losses) on non-current assets	5.7	34	8
INCOME (LOSS) BEFORE TAX			**94**	**(744)**
XIII.	Non-recurring items	5.9	0	0
XIV.	Corporate income tax	5.10	(119)	(3)
XV.	Net change in general banking risks reserve		0	0
NET INCOME (LOSS)			**(25)**	**(747)**
BASIC EARNINGS PER SHARE (EUR)			(0.11)	(3.34)
FULLY DILUTED EARNINGS PER SHARE (EUR)			(0.11)	(3.34)

Notes to the financial statements

Accounting policies and valuation methods

1.1. Significant events in 2014

By resolution of the joint shareholders' meeting held on 16 December 2014, Dexia Crédit Local reduced its share capital by an amount of EUR 1,062,374,436 in order to wipe out the company's debts. This capital reduction was realised by reduction of the nominal value of the shares. The share capital of Dexia Crédit Local is now EUR 223,657,776 represented by 223,657,776 shares each with a nominal value of EUR 1.00.

On 30 September 2014, Dexia Crédit Local changed the parameters used in the valuation of its securities portfolio. This resulted in a maximisation of the use of observable market data for securities valuation. As a consequence, the change of these parameters led to a significant increase, by EUR 818 million, of the provisions for latent losses on investment securities.

With the aim of carrying assets over the long term, on 1 October 2014 Dexia Crédit Local made an accounting reclassification of the securities in the available-for-sale portfolio into the held-to-maturity portfolio. This reclassification related to an amount of US assets of USD 5.7 billion. A discount of USD 608 million was applied to the assets on this change of management objective.

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 2014 were prepared in accordance with the accounting rules applicable to a going concern. The assumptions detailed below were the basis of the business plan underlying the Dexia Group resolution plan and were already explained in previous accounting closures.

- The business plan is based on market environment observed at the end of September 2012. The underlying macroeconomic assumptions are revised semi-annually.
- In particular, the review of the plan in 2014 incorporates lower interest rates and takes account of an updated funding plan based on current market conditions. The 2014 plan revision incorporates regulatory developments to date, such as the definitive text of CRD IV, the implementation of the IFRS 13 accounting standard, and the impact of using an OIS curve for OTC derivatives valuation. The revised plan also takes into account Dexia and Dexia Crédit Local's decision to increase the use of market data for the valuation of illiquid securities classified as assets available for sale and for the calculation of the Credit Valuation Adjustment (CVA). Finally it also reflects, Dexia and Dexia Crédit Local's active balance sheet management, particularly the successful execution of the funding programme in 2014, resulting in a positive evolution of the net interest margin.
- Using data as at 30 June 2014, the revised business plan was approved by Dexia's Board of Directors on 9 October 2014. While it contains adjustments to the plan originally validated, the resolution trajectory in the revised plan remains unchanged over the long term.
- The plan assumes maintaining various local banking licences. Dexia Crédit Local ratings are also assumed to remain at current levels.
- It relies, moreover, on a robust funding programme based on Dexia Crédit Local's ability to issue debt guaranteed by Belgium, France and Luxembourg and to raise secured funding.
- In this context, Dexia Crédit Local's ability to tap markets at a lower cost and for longer maturities than forecast in the original plan, had a positive effect on the funding mix in 2014. The continued increase in secured funding and the success of short- and long-term guaranteed debt programmes enabled Dexia and Dexia Crédit Local to reduce reliance on central bank funding and establish temporary liquidity reserves in anticipation of significant maturities at the end of 2014 and the beginning of 2015.

Some uncertainties remain however over the resolution period, in the implementation of the business plan due to the potential impact of regulatory and accounting developments. Moreover, Dexia and Dexia Crédit Local's balance sheets still exhibit structural imbalances and the limited resources available since the beginning of their resolution to remedy this situation may not allow compliance with certain regulatory ratios during the resolution process. For instance, the Dexia Group orderly resolution crystallised a funding structure heavily dependent on market and central bank funding, since Dexia no longer has retail franchises and is unable to increase its deposit base. This will be reflected in the future level of the Liquidity Coverage Ratio (LCR).

The business plan remains exposed to the evolution of the macroeconomic environment. A 10 basis point decline in interest rates over the entire curve could result in an increase of EUR 1.1 billion in Dexia and Dexia Crédit Local's liquidity requirement over the next two years due to higher cash collateral(1) needs. Similarly, a less optimistic credit environment

(1) Deposits or financial instruments posted by Dexia and Dexia Crédit Local to their counterparties in order to secure obligations under interest rate or currency swaps.

and/or the widening of credit spreads could also have a negative impact on the income statement and available liquidity reserves and may increase regulatory capital requirements.
Finally, if market demand for government-guaranteed debt decreases, Dexia Crédit Local may need to tap more costly funding sources which could have a negative impact on the profitability assumed in the original business plan. 2015 and 2016 may be challenging in light of a more volatile foreign exchange environment and very low interest rates.
The most recent update of the business plan reflects surplus liquidity over the life of the plan. However, at the end of 2014 and the beginning of 2015, Dexia and Dexia Crédit Local's surplus liquidity were reduced by additional cash collateral posting to market counterparties. This growing liquidity requirement was offset by sustained issuance of long-term government-guaranteed debt consisting of EUR 4 billion in benchmark transactions and EUR 2 billion in private placements year to date as at helf February 2015. Dexia Crédit Local also continued to increase secured funding.
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 Regulation n° 2014-07, 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 have been taken into income at the repayment date.
Customer loans are stated in the balance sheet net of provisions for possible losses. They are broken out into four separate categories: performing loans, restructured performing loans, non-performing loans under collection and doubtful non-performing loans.
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 Regulation n° 2014-07, 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 Regulation n° 2014-07, differences arising on translation at the year-end rate of investments denominated in foreign currencies that are financed in euros are taken to equity, under "Accumulated translation adjustments", and not to the income statement.

In the event of disposal of part of the Group's interest in an associate, the resulting gain or loss is determined on a FIFO basis.

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 in accordance with Recommendation 2013-02 on the evaluation and recognition of pension liabilities for annual and consolidated accounts prepared in accordance with French accounting standards.

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 EC Regulation n°575/2013.

Forward and derivative financial instruments

Dexia Crédit Local uses forward and derivative financial instruments in the normal course of business, mainly as hedges against interest rate and currency risks and, to a lesser extent, in order to take advantage of favourable interest rate and currency trends. The instruments used include interest rate and/or currency swaps, FRAs, caps, floors, interest rate options, futures, credit default swaps and credit spread options.

Forward and derivative financial instruments are valued and accounted for in four transaction categories, in accordance with Regulation n° 2014-07 based on the initial purpose of the transaction.

The four transaction categories are specific hedges, macro-hedges, isolated open positions and specialist portfolio management; each has its own rules for measurement and recognition.

For transactions in all categories, the commitment or notional amount is recorded as an off-balance sheet commitment over the life of the contract, i.e. from the date of signing of the contract to its maturity or the start date of the reference period in the case of forward rate agreements. The amount of the commitment is adjusted to reflect any changes in notional amounts, so as to show at all times the maximum current or future commitment. Each contract is recorded separately and is classified in one of the above four categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Upfront equalisation payments on hedging transactions are amortised over the remaining life of the instrument. All transactions are amortised on a quasi-yield-to-maturity basis.

Hedging transactions

Micro hedging

Micro-hedges are used to cover interest rate risks on a specific item or group of items with similar characteristics, identified at the outset. The criteria applied to determine whether transactions qualify as micro-hedges are as follows:

• the hedged item must contribute to the bank's overall exposure to fluctuations in prices or interest rates;

• the contracts must be purchased or sold for the specific purpose, and must have the specific effect, of reducing the bank's exposure to fluctuations in prices or interest rates in respect of the hedged item and must be identified as such at the outset.

Instruments meeting this definition consist primarily of swaps acquired as micro-hedges of primary issues, bonds held in the "available-for-sale" and "held-to-maturity" portfolios and customer loans. The hedging instruments have the effect of creating synthetic variable- or adjustable-rate assets or liabilities, which are immunised against interest rate risks.

Expenses and income on micro-hedges are recorded in the income statement in the same way as the expenses and income on the hedged item or group of similar items.

In cases where the hedged item is repaid early (or disposed of), the following accounting treatment is applied to the equalisation payment received or paid due to the early unwinding of the hedging instrument:

• if the hedge was unwound before 1 January 2005, the equalisation payment is spread over the remaining life of the cancelled transaction;

• if the hedge was unwound on or after 1 January 2005, the equalisation payment is recognised in profit or loss during the period in which the hedge was unwound. However, the equalisation payment paid by Dexia Crédit Local is charged against income only for the portion that exceeds gains not yet recorded in income on the symmetric position.

In both cases, deferred equalisation payments are recorded in accrued assets or liabilities.

Macro hedging

This category includes contracts that are intended to hedge and manage Dexia Crédit Local's overall exposure to interest rate risks on assets, liabilities and off-balance-sheet items, other than micro-hedges, contracts representing isolated open positions and contracts acquired for specialist portfolio management purposes.

Macro-hedges have the effect of reducing Dexia Crédit Local's overall exposure to interest rate risks on its business transactions.

Expenses and income on macro-hedges are recorded in the income statement on an accrual basis under "Interest expense on macro-hedges" and "Interest income on macro-hedges". The contra entry is recorded on the balance sheet in an accruals account until such time as the funds are collected or disbursed.

In the event of the unwinding of a macro-hedge, the equalisation payment is recognised as follows:

• equalisation payments on swaps unwound before 1 January 2005 are amortised when the unwinding of the position is not linked to a prior change in the overall interest rate risks to be hedged, or are taken into income symmetrically to those components that resulted in the modification of said risk.

• as from 1 January 2005, the equalisation payment is recognised through profit or loss.

Position management

Dexia Crédit Local conducts two types of position management transactions:

• specialist held-for-trading portfolio management;

• position-taking.

Specialist held-for-trading portfolio management

This activity covers transactions with local authorities and their symmetrical transactions entered into with banks. Its purpose is the specialist management of a held-for-trading portfolio comprising specific interest rate swaps and other interest rate-based derivatives.

The held-for-trading portfolio is actively managed based on sensitivity criteria, with predefined interest rate exposure limits set internally in accordance with the Arrêté of 3 November 2014 as amended. Positions are centralised and results calculated on a daily basis.

Gains and losses are recognised on a mark-to-market basis, as follows:

• total future cash flows are marked to market on a monthly basis and the resulting unrealised gain or loss is taken to the income statement;

• all payments made or received are recorded directly in the income statement.

Mark-to-market gains and losses on derivatives are calculated using the replacement cost method. This method consists of taking each individual contract and simulating a new contract, which, at the balance sheet date, closes the open position created by the original contract. The differences in cash flows between the actual and simulated contracts are then discounted.

The portfolio valuation takes into account portfolio management costs and counterparty risks.

For the purposes of this activity, 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 Regulation n° 2014-07.

Position-taking

Derivatives held in the position-taking portfolio are intended to keep isolated positions open in order to take advantage of any favourable interest rate movements. The portfolio also includes all contracts (including credit derivatives) that do not fulfil the criteria for classification as specialist portfolio management.

Gains and losses are recognised in accordance with the prudence principle as follows:

• provisions for risks are booked for any unrealised losses calculated as a result of periodic mark-to-market valuations; unrealised gains are not recognised in the income statement;

• interest and equalisation payments are recognised in the income statement on an accrual basis.

Foreign exchange transactions

Dexia Crédit Local uses currency swaps and forward purchases and sales of foreign currencies to hedge its currency risks. Currency swaps are used to match funding currencies with the currencies of the assets financed. Forward purchases and sales of foreign currencies are used to offset or reduce the impact of exchange rate fluctuations on specific items or groups of similar items. A limited number of unhedged foreign exchange positions are also established in connection with Dexia Crédit Local's position-taking activities.

In accordance with Regulation n° 2014-07, currency instruments are classified as either hedged transactions or position-management transactions. This categorisation determines the applicable accounting treatment for the related gains and losses. Currency instruments in both categories are recorded as off-balance-sheet commitments over the life of the contract, i.e. from the date of signing of the contract to the start date of the reference period.

Each contract is recorded separately and is classified in one of the above categories. The accounting treatment of gains and losses depends on the underlying purpose of the transaction, as determined by its category.

Hedging transactions

Forward points – the difference between the forward rate and the spot rate – are recognised in the income statement on an accrual basis. The position is initially recorded at the spot rate and its value is gradually adjusted over the life of the contract to take account of the forward points.

Position-transactions management

These represent forward currency transactions that do not meet the criteria for qualification as hedged forward currency transactions as defined in Regulation n° 2014-07, in that they do not relate simultaneously to loans and borrowings or to spot currency transactions. Such transactions are entered into with the aim of taking advantage of exchange rate movements.

Gains and losses on position-management transactions are determined and accounted for by translating movements in the currency accounts into euros at the forward rate applicable to the remaining terms of the contracts.

Foreign currency transactions

In accordance with Regulation n° 2014-07, Dexia Crédit Local recognises foreign currency transactions in accounts opened and denominated in each of the currencies concerned.

Specific foreign currency position accounts are maintained in each currency showing the position in that currency and the euro equivalent.

At each period end, the difference between the value of the foreign currency position account translated into euro at the year-end spot rate and the value of the foreign currency position in the euro equivalent account is taken to the income statement. Differences arising on the translation into euro of investments in foreign currency-denominated non-consolidated companies financed in euros are recorded on the balance sheet under "Accumulated translation adjustments".

Differences arising on the translation into euros of held-to-maturity securities denominated and financed in foreign currencies are recognised on a symmetrical basis with the differences arising on translation of the related financing.

The balance sheets of foreign consolidated branches of Dexia Crédit Local are translated into euros at the period-end exchange rate, with the exception of equity, which is translated at the historical rate.

Income statement items are translated at the average rate for the period. Differences arising on translation are recorded as a separate component of equity under "Accumulated translation adjustments".

Cost of risk

The cost of risk includes movements in loss reserves on interbank and customer loans, fixed-income held-to-maturity securities (in the case of recognised risk of default by the issuer) and off-balance-sheet items (other than off-balance sheet derivatives), as well as loan losses, recoveries of loans written off in prior years, and movements in other provisions and reserves for credit risks and contingencies relating to these items.

Non-recurring items

Non-recurring 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 *établissement stable* (Dexia ES) 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 additional 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.

Dexia ES records the benefits achieved through tax consolidation (excluding the scope of Dexia Crédit Local).

An amendment to the tax convention between Dexia ES 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, Place du Champ de Mars 5, B-1050 Brussels, Belgium.

2. Notes to the assets

2.1. Cash, balances with central banks and post offices (item I – assets)

a. Accrued interest

(in EUR million)	0

b. Detailed analysis, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Cash	0	0
Deposits with central banks and issuing institutions	1,077	2,548
Deposits with postal checking accounts	0	0
TOTAL	1,077	2,548

2.2. Government securities eligible for Central Bank refinancing (item II – assets)

a. Accrued interest

(in EUR million)	113

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As at 31/12/2014
	84	78	564	2,737	3,463

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

	Banking activity and other			
(in EUR million)	Held for trading	Available for sale	Held to maturity	Total
Cost as at 31/12/2013	**38**	**606**	**2,198**	**2,842**
Movements for the year:				
• acquisitions	16	648	46	710
• disposals and redemptions	0	(110)	(77)	(187)
• transfers	0	45	28	73
• translation adjustments	0	9	10	19
• other	0	0	6	6
Cost as at 31/12/2014	**54**	**1,198**	**2,211**	**3,463**
Impairment as at 31/12/2013	**0**	**0**	**0**	**0**
Movements for the year:				
• charges	0	0	0	0
• recoveries	0	0	0	0
• translation adjustments	0	0	0	0
• other	0	0	0	0
Impairment as at 31/12/2014	**0**	**0**	**0**	**0**
NET CARRYING AMOUNT AS AT 31/12/2014	54	1,198	2,211	3,463

Additional information concerning government securities is provided in note 2.5.

d. Transfers between portfolios

No transfers were made between portfolios in 2014.

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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Unrealised gains/losses (differences between market value and carrying amount)	(5)	11

g. "Available for sale" and "Held to maturity" portfolios, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Unrealised gains (redemption value higher than carrying amount)	112	186
Unrealised losses (redemption value lower than carrying amount)	1,273	1,338

2.3. Interbank loans and advances (item III – assets)

a. Accrued interest

(in EUR million)	17

b. Analysis by residual to maturity, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand loans and advances	3,126	5,615	5,515	100	0	0
Term loans and advances	31,375	22,451	7,900	6,271	7,031	1,249
TOTAL	**34,501**	**28,066**	**13,415**	**6,371**	**7,031**	**1,249**

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

VALUATION OF RISK	As at 31/12/2013	As at 31/12/2014		
(in EUR million)	Total	Non-performing loans under collection	Doubtful non-performing loans	Total
Gross non-performing loans	1	1	0	1
Accumulated impairment	(1)	(1)	0	(1)
NET NON-PERFORMING LOANS	**0**	**0**	**0**	**0**

d. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Subordinated interbank loans	902	1,183
Non-subordinated interbank loans	30,473	21,268
TOTAL	**31,375**	**22,451**

e. Analysis of subordinated non-performing loans, excluding accrued interest

VALUATION OF RISK	As at 31/12/2013	As at 31/12/2014		
(in EUR million)	Total	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**

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2.4. Customer loans and advances (item IV – assets)

a. Accrued interest

(in EUR million)	257

b. Analysis by residual maturity, excluding accrued interest

(in 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 31/12/2014
	2,055	1,973	6,714	24,120	0	**34,862**

c. Analysis by type of borrower, excluding accrued interest

	As at 31/12/2013	As at 31/12/2014		
(in EUR million)	Total	Public sector	Other sectors	Total
Performing loans	36,090	14,639	19,853	34,492
Restructured performing loans	0	0	0	0
Non-performing loans under collection	217	32	291	323
Doubtful non-performing loans	164	2	45	47
TOTAL	**36,471**	**14,673**	**20,189**	**34,862**

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

VALUATION OF RISK (in EUR million)	As at 31/12/2013	As at 31/12/2014
Gross non-performing loans under collection	328	437
Accumulated impairment	(111)	(114)
NET NON-PERFORMING LOANS UNDER COLLECTION	**217**	**323**
Gross doubtful non-performing loans	245	84
Accumulated impairment	(81)	(37)
NET DOUBTFUL NON-PERFORMING LOANS	**164**	**47**

e. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Subordinated customer loans	0	4
Non-subordinated customer loans	36,471	34,858
TOTAL	**36,471**	**34,862**

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

a. Accrued interest

(in EUR million)	459

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	As at 31/12/2014
	661	840	5,472	32,033	**39,006**

c. Analysis by type of issuer, excluding accrued interest

Analysis by type of issuer, excluding accrued interest (in EUR million)	As at 31/12/2013	As at 31/12/2014
Public sector issuers	14,075	15,255
Other issuers	26,159	23,751
TOTAL	**40,234**	**39,006**

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

(in EUR million)	Banking activity and other: Held for trading	Available for sale	Held to maturity	Total
COST AS AT 31/12/2013	**3,879**	**28,190**	**9,007**	**41,076**
Movements for the year:				
• acquisitions	17	674	26	717
• disposals and redemptions	(9,402)	(3,183)	(120)	(12,705)
• transfers	86	(4,595)	3,976	(533)
• other movements	8,222		286	8,508
• translation adjustments	396	1,785	649	2,830
COST AS AT 31/12/2014	**3,198**	**22,871**	**13,824**	**39,893**
IMPAIRMENT AS AT 31/12/2013	**0**	**(824)**	**(18)**	**(842)**
Movements for the year:				
• charges	0	293	(9)	284
• recoveries	0	53	0	53
• transfers	0	(318)	0	(318)
• other movements	0	0	0	0
• translation adjustments	0	(64)	0	(64)
IMPAIRMENT AS AT 31/12/2014	**0**	**(860)**	**(27)**	**(887)**
NET CARRYING AMOUNT AS AT 31/12/2014	**3,198**	**22,011**	**13,797**	**39,006**

As at 31 December 2014, there were EUR 51.7 million in securities lent in the held-for-trading portfolio, EUR 6.3 billion in the available-for-sale portfolio and EUR 3.2 billion in the held-to-maturity portfolio.

e. Analysis by type of portfolio

(in EUR million)	As at 31/12/2013: Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2014: Held for trading	Available for sale	Held to maturity	Total
Government securities	**38**	**618**	**2,283**	**2,939**	**54**	**1,221**	**2,301**	**3,576**
Gross carrying amount	38	642	3,322	4,002	54	1,189	3,371	4,614
Premiums/discounts	0	(36)	(1,124)	(1,160)	0	9	(1,160)	(1,151)
Related receivables	0	12	85	97	0	23	90	113
Impairment	0	0	0	0	0	0	0	0
Market value	38	701	3,243	3,982	54	1,430	4,063	5,547
Bonds and other fixed-income securities	**3,879**	**27,621**	**9,120**	**40,620**	**3,198**	**22,226**	**14,041**	**39,465**
Gross carrying amount	3,879	28,245	10,118	42,242	3,198	22,887	15,303	41,388
Premiums/discounts	0	(49)	(1,111)	(1,160)	0	(16)	(1,479)	(1,495)
Related receivables	0	255	131	386	0	215	244	459
Impairment	0	(830)	(18)	(848)	0	(860)	(27)	(887)
Market value	3,879	33,555	12,725	50,159	3,198	28,776	20,219	52,193
Equities and other variable-income securities	**0**	**182**	**0**	**182**	**0**	**186**	**0**	**186**
Gross carrying amount	0	225	0	225	0	222	0	222
Premiums/discounts	0	0	0	0	0	0	0	0
Related receivables	0	0	0	0	0	0	0	0
Impairment	0	(43)	0	(43)	0	(36)	0	(36)
Market value	0	197	0	197	0	190	0	190
Total securities portfolio	**3,917**	**28,421**	**11,403**	**43,741**	**3,252**	**23,633**	**16,342**	**43,227**
PROVISIONS FOR RISKS AND CHARGES(1)	**0**	**836**	**0**	**836**	**0**	**1,331**	**0**	**1,331**

(1) The EUR 1,331 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

(in EUR million)	As at 31/12/2013 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2014 Held for trading	Available for sale	Held to maturity	Total
Government securities	**38**	**618**	**2,283**	**2,939**	**54**	**1,221**	**2,301**	**3,576**
Central governments	38	291	2,283	2,612	54	880	2,301	3,235
Local governments	0	139	0	139	0	140	0	140
Credit institutions	0	188	0	188	0	201	0	201
Bonds and other fixed-income securities	**3,879**	**27,621**	**9,120**	**40,620**	**3,198**	**22,226**	**14,041**	**39,465**
Central governments	0	1,191	907	2,098	0	1,137	931	2,068
Local governments	45	11,476	524	12,045	52	7,832	5,020	12,904
Credit institutions	1,268	5,046	2,481	8,795	462	4,152	2,408	7,022
Other private-sector entities	2,566	9,908	5,208	17,682	2,684	9,105	5,682	17,471
Equities and other variable-income securities	**0**	**182**	**0**	**182**	**0**	**186**	**0**	**186**
Equities and other variable-income securities	0	94	0	94	0	99	0	99
Mutual funds	0	88	0	88	0	87	0	87
Total securities portfolio	**3,917**	**28,421**	**11,403**	**43,741**	**3,252**	**23,633**	**16,342**	**43,227**

g. Analysis by listing of securities

(in EUR million)	As at 31/12/2013 Held for trading	Available for sale	Held to maturity	Total	As at 31/12/2014 Held for trading	Available for sale	Held to maturity	Total
Government securities	**38**	**618**	**2,283**	**2,939**	**54**	**1,221**	**2,301**	**3,576**
Listed securities(1)	38	614	2,283	2,935	54	1,217	2,301	3,572
Unlisted securities	0	4	0	4	0	4	0	4
Bonds and other fixed-income securities	**3,879**	**27,621**	**9,120**	**40,620**	**3,198**	**22,226**	**14,041**	**39,465**
Listed securities(1)	1,112	11,393	7,240	19,745	1,027	10,147	7,692	18,866
Unlisted securities	2,767	16,228	1,880	20,875	2,171	12,079	6,349	20,599
Equities and other variable-income securities	**0**	**182**	**0**	**182**	**0**	**186**	**0**	**186**
Listed securities(1)	0	99	0	99	0	99	0	99
Unlisted securities	0	83	0	83	0	87	0	87
Total securities portfolio	**3,917**	**28,421**	**11,403**	**43,741**	**3,252**	**23,633**	**16,342**	**43,227**

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

h. Analysis by degree of subordination, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
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	40,234	39,006
TOTAL	**40,234**	**39,006**
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 1 October 2014	4,412
Carrying amount of assets reclassified as at 31 December 2014	4,432
Fair value of reclassified assets as at 31 December 2014	5,304
Premium/Discount as at 1 October 2014	(502)
Premium/discount amortisation through net income	9

(1) Valued at the 31 December 2014 exchange rate

j. Held-for-trading portfolio, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Mark-to-market gains	247	372

k. Available-for-sale and held-to-maturity portfolios, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Unrealised gains (redemption value higher than carrying amount)	1,332	1,299
Unrealised losses (redemption value lower than carrying amount)	2,497	2,794

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

Valuation of risk (in EUR million)	As at 31/12/2013	As at 31/12/2014
Gross non-performing loans under collection	246	166
Accumulated impairment(1)	(214)	(94)
NET NON-PERFORMING LOANS UNDER COLLECTION	**32**	**72**

(1) The decrease in impairments is mainly due to the reversals on the City of Detroit and the Commonwealth of Puerto Rico.

2.6. Equities and other variable-income securities (item VI – assets)

a. Analysis by type of portfolio and movements for the year

	Banking activity and other		Total
(in EUR million)	Held for trading	Available for sale	
Cost as at 31/12/2013	**0**	**225**	**225**
Movements for the year:			
• acquisitions	0	28	28
• disposals and redemptions	0	(42)	(42)
• other movements	0	0	0
• translation adjustments	0	11	11
Cost as at 31/12/2014	**0**	**222**	**222**
Impairment as at 31/12/2013	0	(43)	(43)
Movements for the year:			
• charges	0	(6)	(6)
• recoveries	0	16	16
• other movements	0	0	0
• translation adjustments	0	(3)	(3)
Impairment as at 31/12/2014	**0**	**(36)**	**(36)**
NET CARRYING AMOUNT AS AT 31/12/2014	**0**	**186**	**186**

b. Transfers between portfolios (excluding insurance business)

No transfers were made between portfolios in 2014.

c. Unrealised gains and losses on variable income securities

(in EUR million)	Carrying amount as at 31/12/2014	Market value as at 31/12/2014	Net unrealised capital gain as at 31/12/2014
Securities	186	190	4

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2.7. Long-term equity investments (item VII – assets)

a. Accrued interest

(in EUR million)	0

b. Analysis by type of issuer and movements for the year

(in EUR million)	Related parties	Other long-term equity investments	Total
Movements for the year:			
• acquisitions [(1)]	16	0	16
• disposals and redemptions[(2)]	(34)	(6)	(40)
• transfers	0	0	0
• translation adjustments[(3)]	126	0	126
• other movements	0	0	0
Cost as at 31/12/2014	**4,431**	**14**	**4,445**
Impairment as at 31/12/2013	**(3,160)**	**(10)**	**(3,170)**
Movements for the year:			
• charges	0	0	0
• recoveries[(2)]	18	3	21
• reversals	0	0	0
• transfers	0	0	0
• translation adjustments[(3)]	(120)	0	(120)
• other movements	0	0	0
Impairment as at 31/12/2014	**(3,262)**	**(7)**	**(3,269)**
NET CARRYING AMOUNT AS AT 31/12/2014	**1,169**	**7**	**1,176**

(1) The movement of EUR 16 million corresponds to the capital increase of Dexia Flobail, which was fully subscribed by Dexia Crédit Local.
(2) The movements of EUR -34million and EUR -18 millions correspond mainly to the exit from Dexia CLF Immobilier, whose holding was transferred to Dexia Crédit Local (transmission universelle de patrimoine);
(3) The movements of EUR 126 million and EUR -120 millions correspond mainly to the holding in Dexia Holdings Inc., which is denominated in US dollars.

c. Listing of securities

(in EUR million)	Net carrying amount as at 31/12/2014	Market value as at 31/12/2014	Unrealised capital gain as at 31/12/2014
Listed securities	0	0	0
Unlisted securities	1,176		
TOTAL	**1,176**		

d. Significant investments

(in EUR million)	Gross carrying amount as at 31/12/2014	Impairment as at 31/12/2014	Net carrying amount as at 31/12/2014
Listed securities	0	0	0

Unlisted securities	Gross carrying amount as at 31/12/2014	Impairment as at 31/12/2014	Net carrying amount as at 31/12/2014	% interest in capital	Interest in capital as at 31/12/2014	Last balance sheet date
TOTAL	**4,445**	**(3,269)**	**1,176**			
of which						
Dexia Holdings Inc.	2,283	(2,283)	0	100.00%	(123)	31/12/14
Dexia Crediop	793	0	793	100.00%	831	31/12/14
Dexia Kommunalbank Deutschland	581	(581)	0	70.00%	775	31/12/14
Dexia Sabadell S.A.	382	(382)	0	79.01%	442	31/12/14
CBX.IA 2	100	0	100	70.85%	97	31/12/14
Dexia Israel Bank Ltd.	72	0	72	100.00%	(102)	31/12/14
CBX.IA 1	56	0	56	65.31%	122	31/12/14
Dexia Flobail	52	0	52	100.00%	42	31/12/14
Dexia CLF Immo	41	0	41	100.00%	1	31/12/14
Dexia CLF Banque	20	0	20	100.00%	36	31/12/14
Societé d'Investissement Suisse Luxembourgeoise	20	0	20	100.00%	35	31/12/14
Dexia Real Estate Capital Markets	17	(13)	4	100.00%	4	31/12/14
Dexia CLF Régions Bail	8	0	8	100.00%	23	31/12/14

2.8. Intangible assets (item VIII – assets)

Detailed analysis and movements for the year

(in EUR million)	Start-up costs	Other intangible assets	Total
GROSS CARRYING AMOUNT AS AT 31/12/2013	**0**	**223**	**223**
Movements for the year:			
• increases	0	7	7
• decreases	0	(2)	(2)
• other	0	0	0
• translation adjustments	0	2	2
GROSS CARRYING AMOUNT AS AT 31/12/2014	**0**	**230**	**230**
Amortisation and impairment as at 31/12/2013	**0**	**(198)**	**(198)**
Movements for the year:			
• charges	0	(14)	(14)
• recoveries	**0**	2	2
• other	0	0	0
• translation adjustments	0	(2)	(2)
Amortisation and impairment as at 31/12/2014	**0**	**(212)**	**(212)**
NET CARRYING AMOUNT AS AT 31/12/2014	**0**	**18**	**18**

Intangible assets primarily include software purchased and in-house software development costs that have been capitalised.

2.9. Tangible fixed assets (item IX – assets)

Detailed analysis and movements for the year

(in EUR million)	Land and buildings	Fixtures, equipment, furniture and vehicles	Other tangible non-current assets	Assets under construction and prepayments	Total
COST AS AT 31/12/2013	**0**	**6**	**41**	**0**	**47**
Movements for the year:					
• increases	0	0	0	1	1
• decreases	0	0	(3)	0	(3)
• other	0	0	0	0	0
• translation adjustments	0	0	1	0	1
COST AS AT 31/12/2014	**0**	**6**	**39**	**1**	**46**
AMORTISATION AND IMPAIRMENT AS AT 31/12/2013	**0**	**(4)**	**(37)**	**0**	**(41)**
Movements for the year:					
• charges	0	0	(1)	0	(1)
• recoveries	0	0	3	0	3
• other	0	0	0	0	0
• translation adjustments	0	(1)	(1)	0	(2)
AMORTISATION AND IMPAIRMENT AS AT 31/12/2014	**0**	**(5)**	**(36)**	**0**	**(41)**
NET CARRYING AMOUNT AS AT 31/12/2014	**0**	**1**	**3**	**1**	**5**

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

Detailed analysis of other assets and accruals

(in EUR million)	As at 31/12/2013	As at 31/12/2014
OTHER ASSETS		
Premiums paid on swaptions issued	22	21
Premiums paid on options	6	6
Guarantee deposits paid(1)	19,086	26,971
Tax receivables	0	0
Deferred tax assets	169	4
Other non-current financial assets	0	0
Other	228	221
TOTAL OTHER ASSETS	**19,511**	**27,223**

(1) Guarantee deposits paid consist nearly entirely of collateral deposited under contracts with the primary counterparties trading on derivatives markets.

(in EUR million)	As at 31/12/2013	As at 31/12/2014
ACCRUALS		
Premiums and deferred charges on borrowings	17	33
Premiums on loans and other deferred charges on loans	47	41
Premiums and deferred charges on hedging transactions	960	1,039
Premiums and deferred charges on trading transactions	1,389	1,155
Accrued income on hedging transactions	825	639
Accrued income on trading transactions	4,544	7,056
Unrealised translation losses	663	791
Other accrued income	496	470
TOTAL ACCRUALS	**8,941**	**11,224**

2.11. Analysis of assets by currency

Classification by original currency

(in EUR million)	As at 31/12/2014
In EUR	94,230
In other EU currencies	10,010
In all other currencies	44,383
TOTAL ASSETS	148,623

3. Notes to the liabilities and equity

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

a. Accrued interest

(in EUR million)	179

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits(1)	14,273	8,822	8,822	0	0	0
Term deposits	27,963	39,642	22,737	737	11,266	4,902
TOTAL	42,236	48,464	31,559	737	11,266	4,902

(1) Funding from central banks came to EUR 6.9 billion as at 31 December 2014 (EUR 13.5 billion the previous year).

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

a. Accrued interest

(in EUR million)	1

b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at au 31/12/2014	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Demand deposits	1	1	0	0	0	1
Term deposits	231	99	76	0	0	23
TOTAL	232	100	76	0	0	24

c. Analysis by type of issuer, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Public sector	0	0
Other sectors	231	101
TOTAL	231	101

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

a. Accrued interest

(in EUR million)	192

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b. Analysis by residual maturity, excluding accrued interest

(in EUR million)	As at 31/12/2013	As at 31/12/2014	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Interbank and other negotiable debt securities	73,828	70,294	30,109	20,594	15,615	3,976
Debt securities	10,354	8,733	13	416	6,194	2,110
TOTAL	**84,182**	**79,027**	**30,122**	**21,010**	**21,809**	**6,086**

As at 31 December 2014, Dexia Crédit Local's issues are covered by the State guarantee mechanism for EUR 73 billion.
As at 31 December 2014, 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 70 billion.

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

(in EUR million)	Interbank and other negotiable debt securities	Debt securities	Securities borrowings	Total
AS AT 31/12/2013	**73,828**	**9,562**	**792**	**84,182**
Movements for the year				
• new issues	47,443	1,249	0	48,692
• redemptions	(51,557)	(2,957)	(168)	(54,682)
• translation adjustments	580	255	0	835
• other	0	0	0	0
AS AT 31/12/2014	**70,294**	**8,109**	**624**	**79,027**

3.4. Other liabilities and accruals (item IV and V – liabilities and equity)

Details of other liabilities and accruals

Accruals and other liabilities (in EUR million)	As at 31/12/2013	As at 31/12/2014
OTHER LIABILITIES		
Guarantee deposits received[(1)]	3,947	4,600
Premiums on options sold	5	5
Other creditors	146	82
TOTAL OTHER LIABILITIES	**4,098**	**4,687**
ACCRUALS		
Deferred income on loans	62	61
Discounts recognised on purchase of receivables	0	0
Deferred income on hedging transactions	1,664	1,835
Deferred income on trading transactions	1,524	1,278
Deferred gains on hedging contracts	28	30
Accrued charges on hedging transactions	1,374	1,277
Accrued charges on trading transactions	4,651	7,241
Unrealised translation gains	394	178
Other deferred income	3	8
Other accrued charges	62	54
Other accrued liabilities	845	810
TOTAL ACCRUALS	**10,607**	**12,772**

(1) Evolution of cash collateral received

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

(in EUR million)	As at 31/12/2013	Charges	Recoveries	Transfers	Translation adjustments	As at 31/12/2014
PROVISIONS FOR RISKS AND CHARGES	**1,160**	**1,532**	**(514)**	**(780)**	**272**	**1,670**
• pensions and similar commitments[1]	2	4	(2)	(1)	**0**	3
• financing commitments	125	40	(52)	0	**2**	115
• other financial instruments[2]	836	1,404	(400)	(779)	**270**	1,331
• other risks and charges[3]	197	84	(60)	0	**0**	221
PROVISIONS FOR DEFERRED TAXES	**167**	**98**	**(36)**	**(228)**	**0**	**1**
REGULATED PROVISIONS	**19**	**3**	**(11)**	**0**	**0**	**11**
• provisions for medium- and long-term loans	0	0	0	0	0	0
• provisions for accelerated tax depreciation	17	3	(9)	0	0	11
• provisions for investments	2	0	(2)	0	0	0
TOTAL	**1,346**	**1,633**	**(561)**	**(1,008)**	**272**	**1,682**

(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 type of portfolio.
(3) Other provisions for risks and charges in 2014 primarily include a provision relating to the loan desensitisation activity for EUR 150 million (of which EUR 83 million booked over the year) and a provision on the subsidiary Dexia Crédito Local México SA for EUR 33 million (unchanged in 2014).

3.6. Subordinated debt (item VIII – liabilities and equity)

a. Accrued interest

(in EUR million)	1

b. Movements for the year, excluding accrued interest

(in EUR million)	Total
AS AT 31/12/2013	**534**
Movements for the year:	
• new issues	0
• redemptions[1]	(101)
• translation adjustments	0
• other movements	0
AS AT 31/12/2014	**433**

(1) Partial repayment of subordinated debt

c. Details of individual subordinated borrowings

Currency	Maturity	Amount in millions	a) Early repayment conditions b) Subordination conditions c) Convertibility conditions	Interest rate (%)
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	

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3.7. Equity

Detailed analysis of equity

(in EUR million)	Amount
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	(25)
Interim dividends	0
EQUITY AS AT 31/12/2013	**1,928**
Movements for the year:	
Capital stock	(1,062)
Additional paid-in capital	0
Commitments to increase capital stock and additional paid-in capital	0
Reserves and retained earnings(1) (2)	1,037
Legal reserve	0
Non-distributable reserve	0
Translation adjustments	(96)
Dividends paid (-)	0
Net loss for the year	(747)
Other movements	0
AS AT 31/12/2014	
Capital stock(2)	224
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	(131)
Translation adjustments	(196)
Net loss for the year(3)	(747)
Interim dividends	0
EQUITY AS AT 31/12/2014	**1,085**

(1) The ordinary shareholders' meeting on 13 May 2014 resolved to allocate the EUR 25 million loss for 2013 to retained earnings, bringing the latter to EUR 1,193 million.
(2) By decision of the combined shareholders' meeting on 16 December 2014, Dexia Crédit Local's reduced its share capital by EUR 1,062,374,436, in order to absorb the company's losses. This capital reduction was realised by reduction of the par value of shares. Dexia Crédit Local's share capital now amounts to EUR 223,657,776, split into 223,657,776 shares with a par value of EUR 1.00.
(3) A proposal was submitted to the ordinary 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 (in EUR million)	As at 31/12/2014
In EUR	94,692
In other EU currencies	10,010
In all other currencies	43,921
TOTAL LIABILITIES AND EQUITY	**148,623**

3.9. Other notes to the balance sheet

Transactions with related parties – Analysis by type

(in EUR million)			Total	Of which, related parties[1]
Assets	Items III and IV	Interbank loans and advances and Customer loans and advances	63,202	21,833
	Items V, VI and VII	Securities held	40,827	607
	Items XIII and XIV	Other assets and accruals	38,447	318
Liabilities	Items I and II	Interbank borrowings and deposits and customer deposits	48,744	4,953
	Items III	Debt securities	79,219	19,515
	Items VIII	Subordinated debt	434	0
	Items IV and V	Other liabilities and accruals	17,459	2,831

(1) Related parties correspond to those from the Dexia Group's consolidation scope.

4. Notes to the off-balance sheet items

4.1. Financing commitments given (item I – off-balance sheet)

This item includes financing commitments given and commitments given on securities and on loaned foreign currencies. Financing commitments on loans and lines of credit include loans approved but not disbursed as at 31 December 2014..

Analysis by type of beneficiary

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Commitments to credit institutions	1,890	1,777
Commitments to customers	8,066	8,009
Commitments given on securities	24	283
TOTAL	**9,980**	**10,069**

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

a. Analysis by type of beneficiary

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Commitments to credit institutions	32,825	34,634
Commitments to customers	4,717	4,432
TOTAL	**37,542**	**39,066**

b. Analysis by type of transaction

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Guarantee commitments given		
• guarantees	37,542	39,066
• endorsements	0	0
• liens on assets	0	0
TOTAL	**37,542**	**39,066**

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)

(in EUR million)	As at 31/12/2013[1]	As at 31/12/2014[1]
As collateral for debts and commitments of the Company	0	0
Balance sheet liabilities	0	0
Off-balance sheet items	59,981	46,455
TOTAL	**59,981**	**46,455**

(1) Carrying amount of the assets pledged.
This item includes notably (1) collateral of EUR 5 billion in loans pledged for borrowings from international financial institutions; (2) assets pledged as collateral to central banks for an amount of EUR 27.5 billion; and (3) commitments given on the New York Branch's tender option bond for an amount of EUR 2.2 billion.

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.

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Financing commitments received from credit institutions	9,448	6,204
Currencies borrowed but not yet received	0	272
Guarantees received from credit institutions	3,100	2,842
Guarantees received from local authorities or claims on local authorities acquired as guarantees	5,957	7,871
Other commitments received	12,083	11,231
TOTAL	**30,588**	**28,420**

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

a. Analysis by type of transaction

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Purchases		
• spot	776	0
• forward	50	33
Sales		
• spot	0	0
• forward	50	33
TOTAL	**876**	**66**

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 36 billion and the line "Foreign currencies to be delivered" to EUR 35 billion as at 31 December 2014.

4.7. Commitments related to forward and derivative financial instruments (item VIII – off-balance sheet)

a. Analysis by type of use and instrument

Type of transaction (in EUR million)	As at 31/12/2013	As at 31/12/2014	Hedging		Trading		Fair value as at 31/12/2013
			Micro-hedging	Macro-hedging	Isolated open position	Specialised trading portfolio management	
Foreign currency instruments[1]	40,214	35,405	9,794	16,716	1,920	6,975	(2,040)
• forward currency purchases and sales	22,617	16,130	0	14,950	1,180	0	0
• currency and interest rate swaps	17,597	19,275	9,794	1,766	740	6,975	(2,040)
• 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	281,467	292,483	66,311	111,887	1,925	112,360	(14,658)
Interest rate instruments[2]							
• interest rate swaps	272,971	284,681	61,848	111,887	55	110,891	(15,206)
• futures	631	200	0	0	87	113	0
• forward rate agreements	151	100	0	0	100	0	0
• interest rate options	2,280	2,129	692	0	81	1,356	63
Other forward purchases and sales[3]							
• other options	5,434	5,373	3,771	0	1,602	0	485
• other futures	0	0	0	0	0	0	0
• other forward purchases and sales	0	0	0	0	0	0	0
TOTAL	**321,681**	**327,888**	**76,105**	**128,603**	**3,845**	**119,335**	**(16,698)**

(1) Amount to be delivered.
(2) Face value/notional amount.
(3) Purchase/selling price agreed between the parties.

b. Analysis by type of market

Type of transaction (in EUR million)	Over-the-counter market	Organised market	Total as at 31/12/2014
Foreign currency instruments	35,405	0	35,405
Other financial instruments			
• interest rate instruments	286,910	200	287,110
• other forward purchases and sales	5,373	0	5,373
TOTAL	**327,688**	**200**	**327,888**

c. Analysis of forward contracts and options

Type of transaction (in EUR million)	Forward contracts	Options	Total as at 31/12/2014
Foreign currency instruments	35,405	0	35,405
Other financial instruments			
• interest rate instruments	287,110	0	287,110
• other forward purchases and sales	4,171	1,202	5,373
TOTAL	**326,686**	**1,202**	**327,888**

d. Analysis by residual maturity

Type of transaction (in EUR million)	Up to 1 year	1 to 5 years	Over 5 years	Total as at 31/12/2014
Foreign currency instruments	17,444	7,031	10,930	35,405
Other financial instruments				
• interest rate instruments	71,091	58,007	158,012	287,110
• other forward purchases and sales	431	441	4,501	5,373
TOTAL	**88,966**	**65,479**	**173,443**	**327,888**

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 ANC Regulation 2014-07:

- 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

(in EUR million)			Total	Of which, related parties[1]
Off-balance sheet	Item I	Financing commitments given	10,069	7,388
	Item II	Guarantee commitments given	39,066	37,679
	Item IV	Financing commitments received	6,476	0
	Item V	Guarantee commitments received	21,944	2,665
	Items III, VI, VII and VIII	Other commitments given and received	411,390	366

(1) Related parties are entities included within the consolidation scope of the Dexia Group.

5. Notes to the income statement

5.1. Interest income and interest expense (items I and II – income statement)

(in EUR million)		As at 31/12/2013	As at 31/12/2014
INTEREST INCOME ON:			
Interbank loans	(a)	418	297
Customer loans and advances	(b)	1,153	864
Bonds and other fixed-income securities	(c)	1,276	1,060
Macro hedging transactions	(d)	6,713	866
TOTAL INTEREST INCOME		**9,560**	**3,087**
INTEREST EXPENSE ON:			
Interbank borrowings and deposits	(a)	(723)	(492)
Customer deposits	(b)	(186)	(123)
Bonds and other fixed-income securities	(c)	(1,078)	(831)
Macro hedging transactions	(d)	(7,241)	(1,326)
TOTAL INTEREST EXPENSE		**(9,228)**	**(2,772)**
NET INTEREST EXPENSE		**332**	**315**

a. Interest income and expense on interbank transactions

This item includes EUR +171 million on transactions with related parties.

It also includes an expense relating to the sovereign guarantee amounting to EUR 54 million in 2014 (EUR 154 million in 2013).

b. Interest income and expenses on customer transactions

Interest income and expenses on customer loans and deposits represented a net amount of EUR 741 million.

It also includes EUR 55 million in income from financing commitments and guarantees.

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

The heading includes EUR 1,060 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 831 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 866 million and EUR 1,326 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)

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Related parties[1]	16	0
Other related parties and long-term investments	1	0
Equities and other variable-income securities	1	2
TOTAL	**18**	**2**

(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 millions)	As at 31/12/2013	As at 31/12/2014
Loans	1	1
Other financial services	1	1
TOTAL	**2**	**2**

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

Type (EUR millions)	As at 31/12/2013	As at 31/12/2014
Loans	0	0
Corporate actions	(20)	(15)
Other financial services	(6)	(7)
TOTAL	**(26)**	**(22)**

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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Gains (losses) on:		
• held-for-trading securities	(1)	48
• foreign currency transactions	96	(49)
• other financial instruments	(272)	(74)
Sub-total	**(177)**	**(75)**
• available-for-sale and similar securities[1]	(83)	(685)
Sub-total	**(83)**	**(685)**
TOTAL	**(260)**	**(760)**

(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:

(in EUR million)	As at 31/12/2013	As at 31/12/2014
• charges to impairment	(1,574)	(1,844)
• recoveries of impairment	1,369	1,009
Sub-total	**(205)**	**(835)**
• disposal losses	(36)	(16)
• disposal gains	158	166
Sub-total	**122**	**150**
TOTAL	**(83)**	**(685)**

5.5. General operating expenses (item IX – income statement)

a. Detailed analysis

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Personnel costs	**(105)**	**(104)**
• salaries and wages	(98)	(83)
• social security	(47)	(41)
• restructuring cost(1)	40	20
Other administrative expenses	**(117)**	**(155)**
• taxes and duties	(25)	(23)
• other administrative expenses	(92)	(132)
TOTAL	**(222)**	**(259)**

(1) The restructuring costs are linked to the reversal of the Dexia Crédit Local Group's restructuring provision

b. Employee information

	31/12/2013	31/12/2014
Total employees as at 31 December	**922**	**805**
• executive management	59	51
• other management	670	593
• administrative personnel	193	161
Personnel costs (in EUR million)	**(148)**	**(122)**
• salaries and direct benefits	(101)	(81)
• payroll taxes	(31)	(25)
• other personnel costs	(16)	(16)
Provisions for pensions (in EUR million)	**3**	**(2)**
• charges (+)	0	(4)
• recoveries (-)	3	2
TOTAL	**(145)**	**(124)**

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

(in EUR million)	Charges and losses	Reversals and recoveries	Total as at 31/12/2014
Provisions for impairment and losses on loans	(250)	300	50
Provisions for risks	(101)	30	(71)
Regulatory provisions			0
TOTAL	**(351)**	**330**	**(21)**

The cost of risk came out at EUR -21 million in 2014 and essentially comprised:

• a EUR +74 million cost of risk on the New York Branch, in particular related to the city of Detroit and the Commonwealth of Puerto Rico files,

• a risk provision relating to the loan desensitisation activity for EUR -87 million,

• a EUR -9 million impairment on Dexia Kommunalkredit Bank's subordinated securities.

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

a. Detailed analysis

(in EUR million)	As at 31/12/2013		Total as at 31/12/2013	As at 31/12/2014		Total as at 31/12/2014
	Entreprises liées	Autres		Entreprises liées	Autres	
Charges to impairment	0	(6)	(6)	0	0	0
Recoveries of impairment(1)	1,634	16	1,650	17	4	21
SUB-TOTAL	**1,634**	**10**	**1,644**	**17**	**4**	**21**
Disposal losses(1)	(1,693)	0	(1,693)	(16)	(4)	(20)
Disposal gains(2)	81	2	83	0	7	7
SUB-TOTAL	**(1,612)**	**2**	**(1,610)**	**(16)**	**3**	**(13)**
TOTAL	**22**	**12**	**34**	**1**	**7**	**8**

(1) The amount of EUR 17 million corresponds to the reversal of impairment following the transfer of all Dexia CLF Immobilier assets to Dexia Crédit Local, which generated a capital loss of EUR 16 million. The amount of EUR 4 million mainly corresponds to the reversal of impairment following the sale of Monde Investisseurs.

(2) The EUR 7 million capital gain mainly corresponds to the transfer of all Dexia CLF Marne la Vallée assets to Dexia Crédit Local.

b. Analysis by type

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Investments in associates	12	7
Investments in related parties	22	1
TOTAL	**34**	**8**

5.8. Other banking income and expenses

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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Other banking income	3	1
Other miscellaneous income	1	0
TOTAL	**4**	**1**

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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Other banking expenses	0	0
Other miscellaneous expenses	0	(1)
TOTAL	**0**	**(1)**

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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Non-recurring income	0	0
Non-recurring expenses	0	0

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

a. Analysis of tax expense

(in EUR million)	As at 31/12/2013	As at 31/12/2014
Corporate income tax	(13)	(4)
Deferred taxes	(106)	1
Other	0	0
TOTAL	**(119)**	**(3)**

In 2014, 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

(in EUR million)	As at 31/12/2013	As at 31/12/2014
REGULATORY PROVISIONS	**(1)**	**0**
Provision for medium- and long-term loans	0	0
Provision for investments	(1)	0
ACCELERATED TAX DEPRECIATION	**0**	**0**

c. Tax consolidation

The Dexia *établissement stable* (Dexia ES) in France has been head of the tax consolidation group that includes Dexia Crédit Local since 2002.

An amendment to the tax convention between Dexia ES 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

(in EUR million)	
COMPENSATION PAID TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF THEIR FUNCTIONS WITHIN THE COMPANY AND ITS SUBSIDIARIES AND ASSOCIATED COMPANIES	
Management Board	3
Board of Directors	0
TOTAL	**3**

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 31/12/2014		
(in EUR million)	Net banking income (loss)	Gross operating income (loss)	Net income (loss)
France	(11)	(235)	(334)
Foreign branches	(452)	(496)	(413)
TOTAL	**(463)**	**(731)**	**(747)**

6. Subsidiaries and equity investments as at 31 December 2014

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	80,635,000	30,618,000	(5,034,000)
Dexia Crediop Via Venti settembre N. 30 - I00187 Roma	450,210,000	720,156,000	(1,950,000)	(63,338,000)
Dexia Holdings Inc.* 445 Park Avenue, 7th floor, NY 10022 New York	2,177,195,794	(2,321,356,923)	8,919,532	20,693,455
Dexia Kommunalbank Deutschland AG Charlottenstr. 82 - D - 10969 Berlin	432,500,000	399,387,182	21,369,436	(412,926)
Dexia Crédito Local Mexico SA de CV Protasio Tagle 104 - Colonia San Miguel Chapultepec - CP 11850 Deleg. Miguel Hidalgo - Mexico D.F.	2,625,296	-32,216,493	1,408,746	(1,051,318)
Dexia Israël Bank Ltd 19 Ha'arbaa Str, Hatichon Tower - Tel Aviv 64739	37,414,135	137,447,048	30,874,094	11,912,219
SISL 180, rue des aubépines L 1145 - Luxembourg	1,000,000	3,122,673	0	(91,309)
CBX. IA 1 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	1,506,672	(136,235)	0	(50,203)
CBX. IA 2 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	141,140,624	(10,089,707)	18,905,372	6,047,181
Dexia Flobail 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	72,100,170	(192,125,858)	(2,163,102)	17,713,495
Dexia CLF Banque 1 Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	24,038,000	4,833,000	3,004,000
Dexia CLF Regions Bail Passerelle des Reflets - Tour Dexia La Défense 2 - 92913 La Défense	7,625,000	12,910,260	3,829,352	2,124,954
Dexia LDG Banque S.A.* 69, route d'ESCH - L-2953 Luxembourg	149,500,000	(72,370,823)	(40,949,632)	(40,681,678)
Dexia Real Estate Capital Markets 1180 NW Maple St., Suite 202 - Issaquah, WA 98027 - USA	16,493,568	38,639,037	(7,649,926)	(13,265,720)
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	6,689,201,081	4,583,621,270	Bank, credit institution
70.00%	581,223,585	0	0	7,150,000,000	5,100,000,000	Bank, credit institution
100.00%	2,283,076,144	1	0	206,168,563	0	Holding company
100.00%	793,339,375	793,339,375	0	1,011,854,754	1,000,000,000	Bank, credit institution
100.00%	2,625,296	0	0	210,802,665	0	Bank, credit institution
65.31%	56,002,387	56,002,387	0	117,158,055	139,394,468	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%	72,111,058	72,111,058	0	512,956,975	1,239,316,289	Lease financing of local investments
100.00%	19,738,631	19,738,631	0	1,159,700,826	711,200,365	Bank, credit institution
100.00%	7,941,401	7,941,401	0	464,651,516	183,523,012	Real estate leasing
100.00%	20,000,001	20,000,001	0	999,500,000	1,228,060,305	Bank, credit institution
100.00%	52,551,889	52,551,889	0	0	0	Other operator in the financial sector
	4,941,542	3,803,446	169,942	315,296,297	3,358,622	
	2,851,590	2,558,959	0	0	0	
	10,649,952	5,572,225	320,842	483,960,736	15,996,422	
	0	0	0	0	0	

Statutory Auditors' report on the financial statements

For the year ended 31 December 2014

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, 2014, on:

– the audit of the accompanying financial statements of Dexia Credit 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 the Dexia Credit Local as at December 31st, 2014 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 Credit 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

Your Company, as mentioned in notes 1.1 and 1.2.b to the financial statements, uses methodologies and internal 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 3.5 to the 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.

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 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, 31 March 2015

French original signed by the Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Franck BOYER	Claire GUEYDAN-BRUN	Charlotte VANDEPUTTE	Pascal COLIN

General information

Legal and administrative information

1. Regarding the company

Company history	Dexia Crédit Local was one of the three principal entities of the Dexia Group, the Franco-Belgian financial group created in 1996 through the merger of Crédit Local de France and Crédit Communal de Belgique, two credit institutions specialised in the financing of local governments and participants in local economies. Dexia Crédit Local, set against the major restructuring of the Group and the implementation of the Group's orderly resolution plan, is the main subsidiary of the Dexia Group.
Corporate name **Trade name**	As specified in its by-laws, the Company's corporate name is Dexia Crédit Local. The Company uses the trade name Dexia.
Country of origin **Incorporation date and term**	The country of origin of the Company is France. It was incorporated in Paris on 28 August 1989 for a term of 99 years.
Registration number	The Company is registered with the Clerk of the Commercial Court of Nanterre under no. 351 804 042, and its APE business identifier code is 6492Z.
Registered office	Since 1 March 2007, the Company's registered office and principal place of business has been located at: Tour 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 of EUR 85 billion by the Belgian, French and Luxembourg States, allowing Dexia Crédit Local to refinance itself on the capital markets and to manage its orderly resolution over the long term. In 2013, Dexia finalised the disposal process in line with the provisions of the orderly resolution plan, in particular the sale of Société de Financement Local (SFIL). The Group also initiated a company project in order to adapt its operational structure and organisation to its mission of managing the remaining assets in run-off. In 2014, Dexia Crédit Local continued to adapt its operational structure. The IT systems were the object of an in-depth study leading to the definition of a global plan to centralise the different IT systems with a view to increasing the consistency and the quality of the information used by the various entities and generating economies of scale. The split of IT systems between Dexia Crédit Local and SFIL was also completed, breaking the last operational links between both entities.
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 2014 are as follows:

Principal	Substitute
• **Mazars** (appointment renewed by the shareholders' meeting of 16 May 2008, for six fiscal years) Represented by Franck Boyer and Claire Gueydan-Brun, Partners Exaltis – 61, rue Henri Regnault – 92075 La Défense Cedex – France	• **Charles de Boisriou** (appointed by the shareholders' meeting of 16 May 2008, for six fiscal years) Exaltis - 61, rue Henri Regnault - 92075 La Défense Cedex - France
• **Deloitte et Associés** (appointed by the shareholders' meeting of 16 May 2008, for six fiscal years) 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 six fiscal years) Represented by Mireille Berthelot, Partner. 7-9, villa Houssay – 92524 Neuilly-sur-Seine Cedex - France

	31/12/2014			
(in EUR thousands)	**Mazars**	**%**	**Deloitte**	**%**
Audit services				
• Statutory audit, certification, examination of parent company and consolidated financial statements	2,258	66%	2,326	59%
Sub-total	**2,258**	**66%**	**2,326**	**59%**
Other services	**1,157**	**34%**	**1,647**	**41%**
TOTAL	**3,415**	**100%**	**3,973**	**100%**

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 177 and 214 of this registration document, as well as those included by reference for fiscal years 2012 and 2013, respectively on pages 190 and 230 of the 2012 registration document and pages 169 and 208 of the 2013 registration document.

The Statutory Auditors' reports on the parent company and consolidated financial statements for 2012 and 2013 contain some remarks.

For fiscal year 2014, without qualifying their opinion, the Statutory Auditors drew attention to the matter set out in (i) note 1 (§1.1.1.1) to the consolidated financial statements which stipulates that the consolidated financial statements of Dexia Crédit Local have been prepared on a going concern basis, (ii) note 1 (§1.1.2.1) to the consolidated financial statements relating to the application of the IFRS 10 (Consolidated financial statements), IFRS 11 (Joint arrangements), IFRS 12 (Disclosure of interests in other entities) and the amendment to IAS 28 (Investments in associates and joint ventures), and finally (iii) note 1 (§1.1.2.1) to the consolidated financial statements relating to the application of the amendment of IAS 32 relating to offsetting of financial assets and financial liabilities.

La Défense, 28 April 2014

Karel De Boeck
Chief Executive Officer

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**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 registration document (filed on 3 April 2013 with the French Financial Markets Authority under D. 13-0275).*

***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 2013, and the Statutory Auditors' reports on the consolidated and annual financial statements for that period, presented respectively on pages 169 and 208 of the 2012 registration document (filed on 28 April 2014 with the French Financial Markets Authority under D.14-0422).*

Dexia Crédit Local's registration document 2014 has been published by the Financial Communication Department.

This report is also available in French and may be obtained from the head office
via the company website: *www.dexia-creditlocal.fr*

In case of discrepancy between the English and the French versions of the registration document,
the text of the French version shall prevail.

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